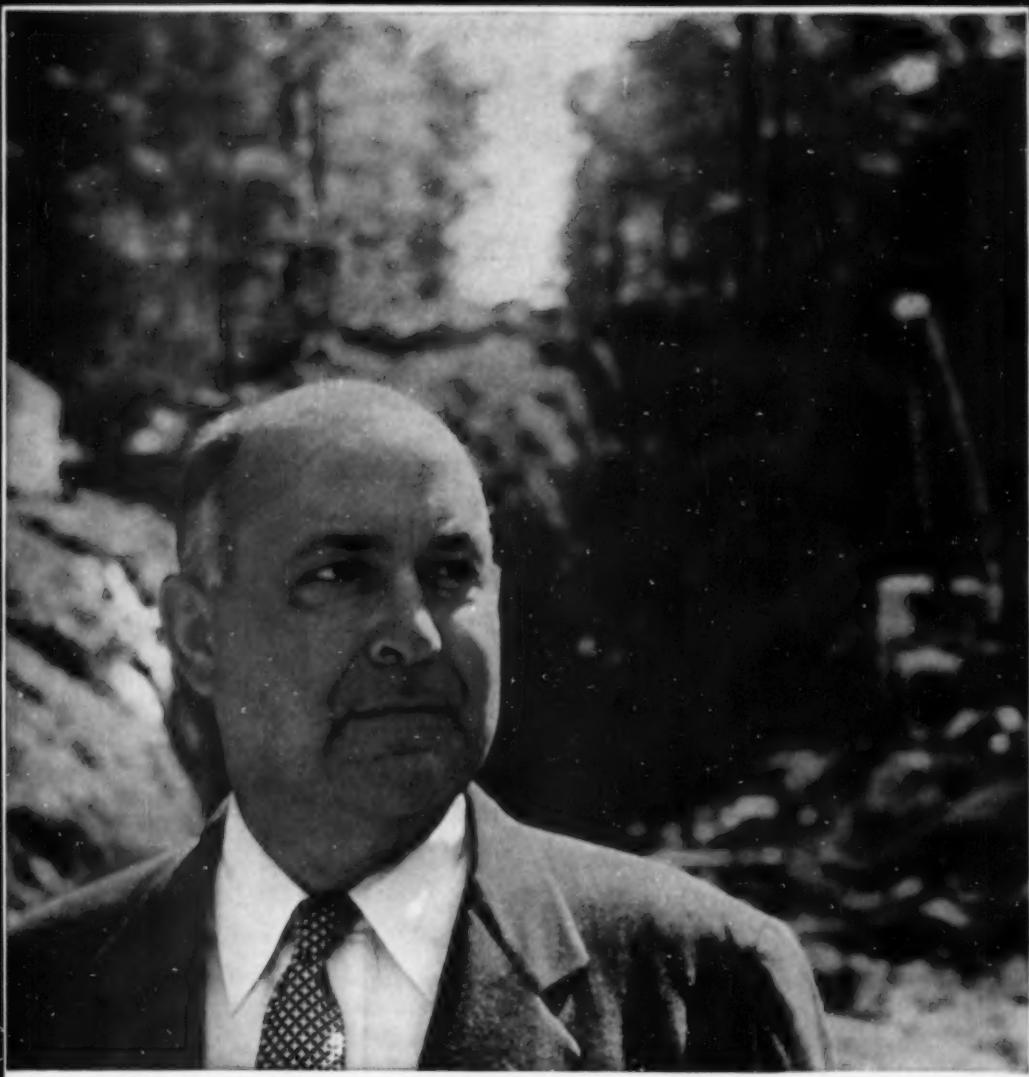


# BUSINESS WEEK



TGT's Gardiner Symonds: His pipe dreams now include Canada (page 96)

A McGRAW-HILL PUBLICATION

JAN. 28, 1956

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UNIVERSITY MICROFILMS  
E B POWER  
ANN ARBOR MICH



## Built to stand up . . . under 'round-the-clock pressure!

The flow of America's vital oil can't be regulated by a time clock! These bobbing pumps work around the clock, around the year—with virtually no attention whatever! ★ Dependable Bower Roller Bearings are more than proving their ability to stand this back-breaking pace—doing it with a minimum of maintenance cost and down-time. That's because important Bower Spher-O-Honed design features, like the one shown at right, have reduced bearing failure to a rarity. ★ Whatever test you put them to—tractors, machine tools, jet engines—you'll find that Bower Spher-O-Honed Bearings will last longer and operate more efficiently. Let a Bower engineer show you the many advanced design features and superior quality of the complete Bower line. There are tapered, straight and journal roller bearings for every field of transportation and industry.

BOWER ROLLER BEARING DIVISION  
FEDERAL-MOGUL-BOWER BEARINGS, INC., DETROIT 14, MICH.



**BOWER** ROLLER BEARINGS



### ADVANCED SPHER-O-HONED DESIGN CUTS UPKEEP COSTS

Spherically generated roll heads • Higher flange with larger two-zone contact • Larger oil groove • Honed races • Highest quality materials • Precision workmanship



*"Vision is Indispensable to Progress"*

## How "magic pennies" helped change ice boxes to refrigerators, carriages to cars

Every manufacturer must spread the news about his products—quickly, effectively, inexpensively. One customer telling another is too slow.

*Mass selling* is the only way to stimulate mass demand. Advertising is simply mass selling that paves the way for salesmen. Through advertising, businesses tell millions about their products and services for a fraction of a penny for each person reached.

Lives are enriched by advertising which stimulates "wanting," generates new ideas, speeds development and acceptance of new products, cre-

ates new jobs. Without advertising, a magazine might cost five times more, newspapers would have only a few pages, and there would be relatively few publications and broadcasting stations.

Advertising agencies prepare 30 million advertisements, 115 million TV and radio commercials, millions of booklets, letters, displays and other mass selling tools every year.

Business invests \$9 billion annually in advertising to inform people about everything from new drugs to home freezers. When millions respond by buying, production can be increased, economies effected, and prices reduced. This productive circle maintains the free market in which the American consumer enjoys the finest selection of goods and services on earth.

**BANKERS TRUST COMPANY**

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Now for the first time TWA offers a direct, one-carrier service linking Tulsa, Oklahoma City, Denver, Cleveland and Detroit with both east and west coasts as well as principal trading centers in Europe, Africa, Middle and Far East.

Addition of these 5 all-star markets to the vast network of TWA's domestic and overseas routes enables shippers to become a closer part of leading

markets everywhere.

Send a memo to your shipping department or, better still, phone the Cargo Consultant at any TWA office. Ask for complete information on low rates, frequent schedules, economical routings that best meet your needs. No obligation, of course. You'll like the way of TWA. It saves you time... work... money. Better call today.

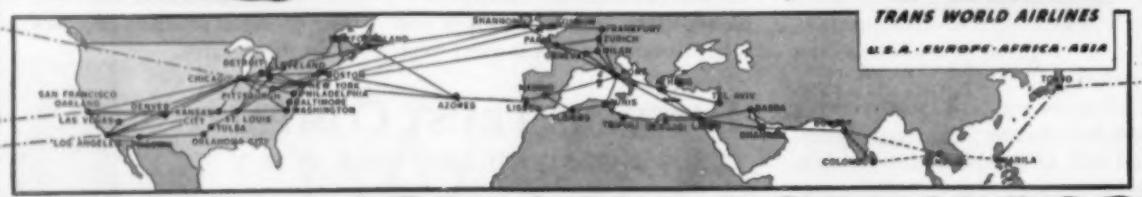


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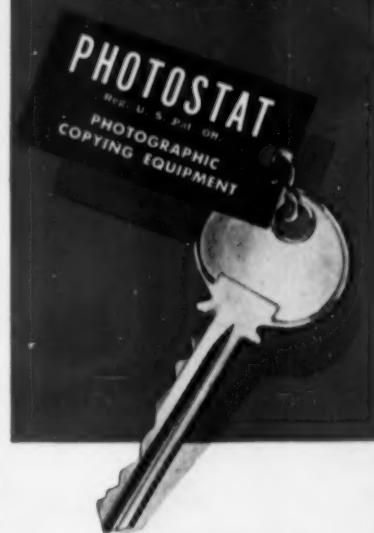
**BUSINESS MANAGER** Richard E. McGraw



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## How come one of the world's most important insurance companies is located in Wausau, Wisconsin?

The fishing's good near Wausau. It's only a stone's throw to where the deer run. Once in a while, they say, a lynx comes down from the north.

And it's the home of one of the world's most important insurance companies.

### How come?

This was lumber country once. And lumbering was a hazardous business. 45 years ago a group of lumbermen joined together to pay the claims of injured sawmill workers under Wisconsin's new workmen's compensation law. The group came to be called The Employers Mutuals of Wausau.

Wausau is no longer lumber country. But Employers Mutuals has stayed. So have the men who guided the company from the very beginning.

### How come?

Because they knew that something good had grown up there. A certain way of doing business that was good. An almost personal character. A fairness that bent over backward rather than forward. Policyholders and their employees kept saying that Employers Mutuals were "good people to do business with."

There was a "Wausau personality" about us that people seemed to like and we didn't

want to lose. We're a large company today. We write all types of casualty and fire insurance, and are one of the very largest in workmen's compensation. We have two reputations, born and raised in Wausau, that we aim to hold. One is unexcelled service on claims. The other is an accident prevention program that means lower costs to policyholders.

We're still "Wausau." But today there are offices of Employers Mutuals of Wausau in 90 cities. "A little bit of Wausau on the sidewalks of New York." And we're still good people to do business with.

# Employers Mutuals of Wausau

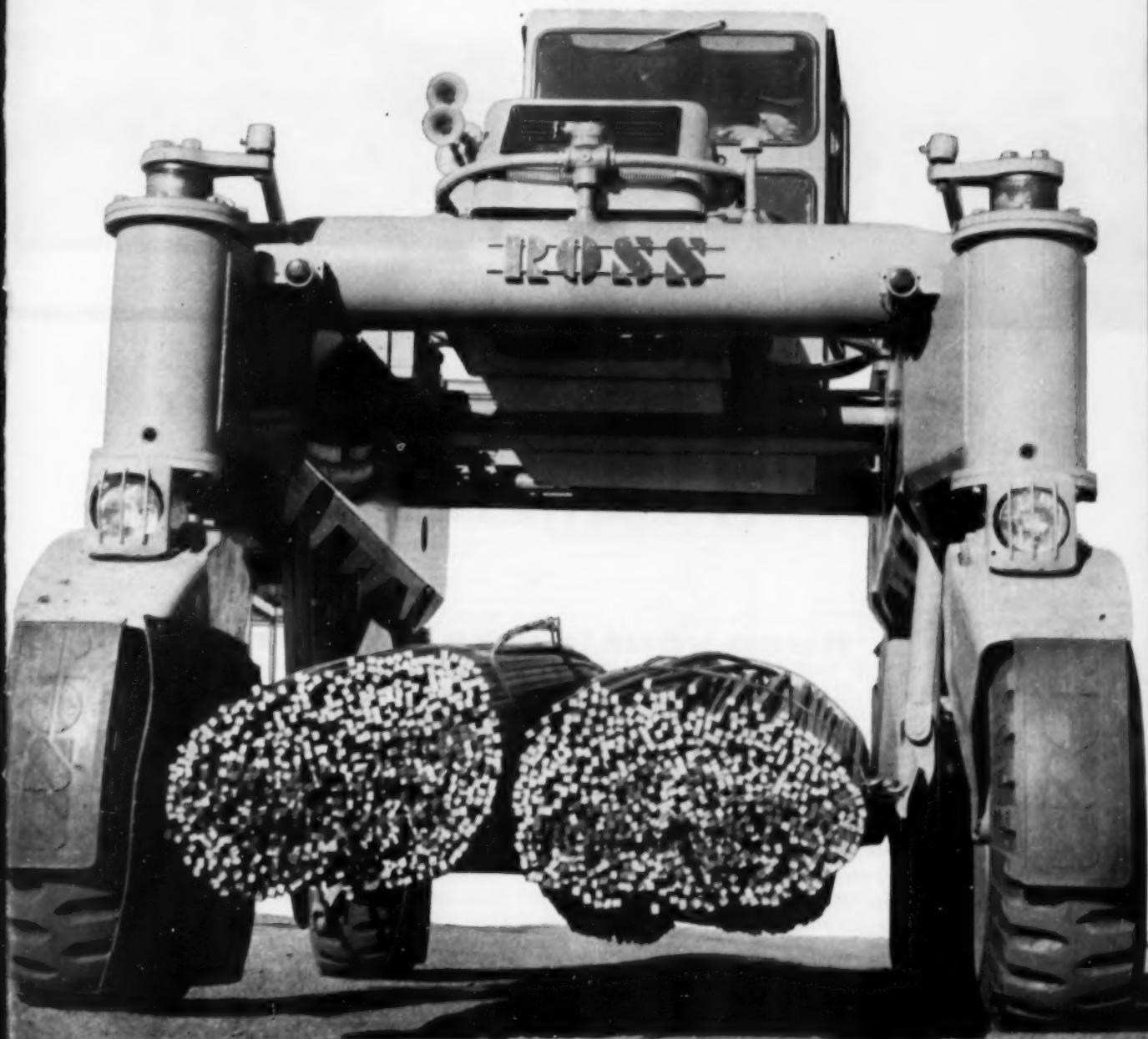


"Good people to do  
business with"

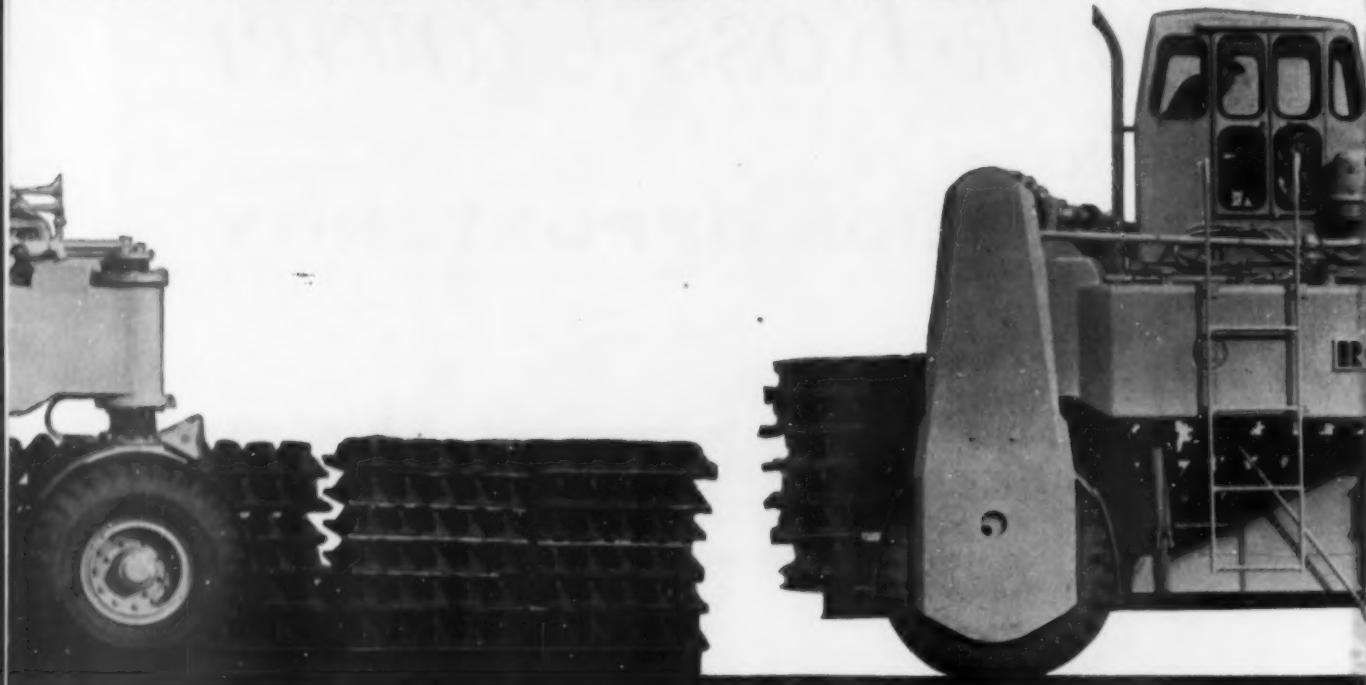
# Clark-Ross\* Carrier

**key to a  
\$2½ BILLION OPPORTUNITY**

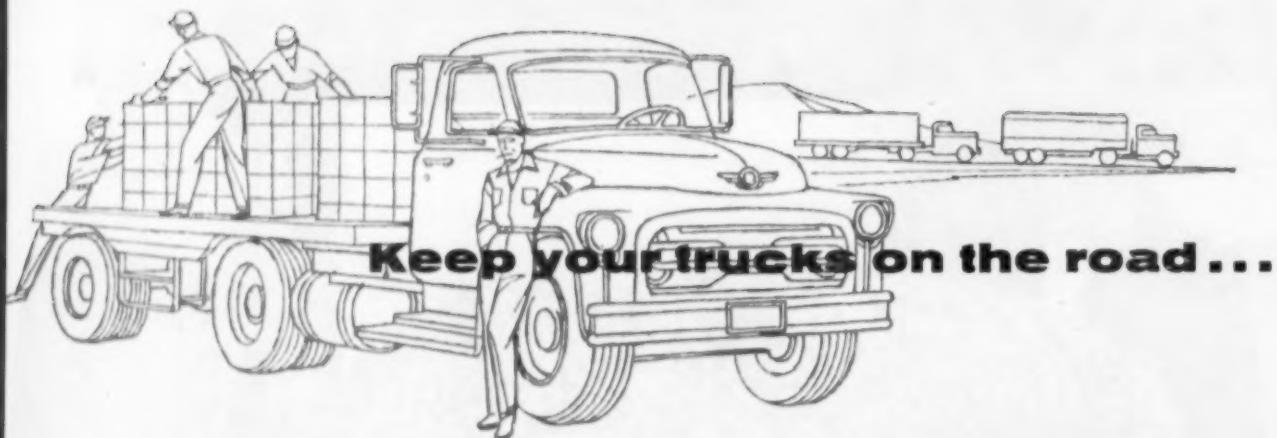
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# in 5 seconds...25 tons...



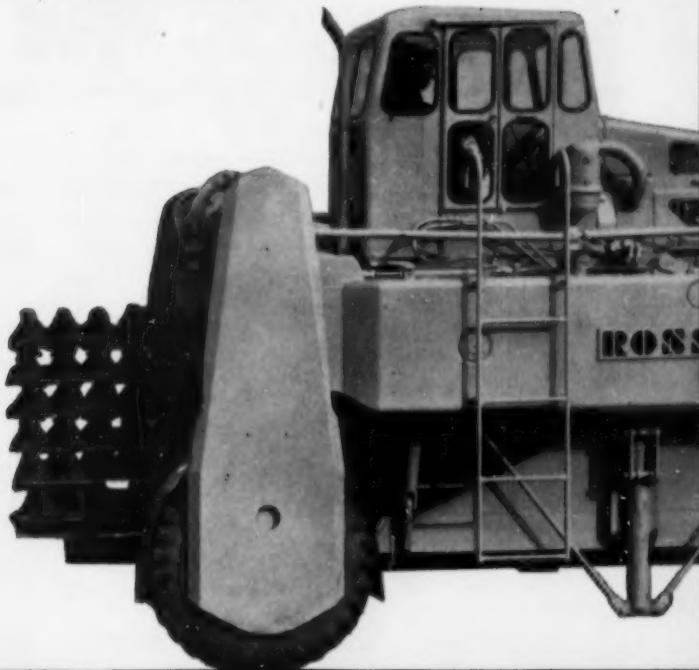
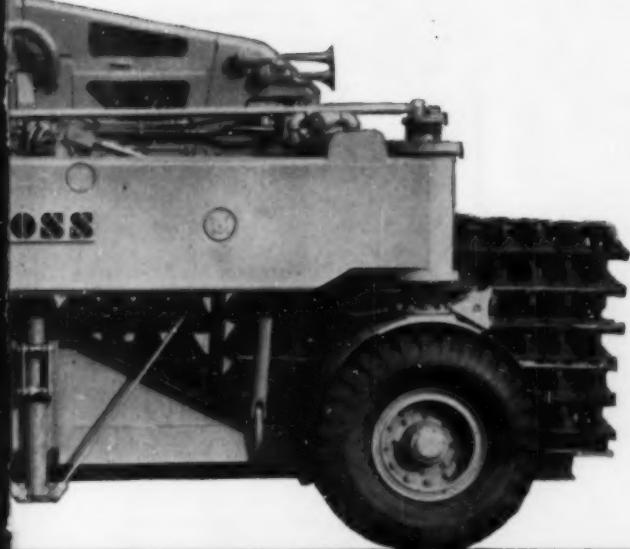
*Watch this self-loader in action . . .*



Every idle minute costs money. That's why cost-conscious companies combine the Clark-Ross method with their present truck fleet. For shorter hauls, distances up to 30 miles, the Clark-Ross Carrier has proved to be the most efficient, most practical method of moving ma-

terials. For longer hauls, or if you wish to keep the Carrier in your plant or yard, a combination operation is most effective. In such cases, the Clark-Ross Carrier merely straddles the truck and completes loading with one swift movement. No lost time . . . no wasted manpower.

# ..are on the move!



## YOU MAKE MONEY BECAUSE THESE WHEELS keep TURNING!

In 5 seconds, 25 tons are on the move. Important? It may well be the key to a \$2½ billion opportunity.

Conservative estimates point to this \$2½ billion as excess cost in today's materials handling. Three major reasons for this waste: 1) lost motion, 2) misuse of manpower, 3) obsolete methods and equipment.

An increasingly important solution to the problem: *Straddle the load!*

Here's the elimination of lost motion. In one swoop the Clark-Ross Carrier drives over the load, self-loads and is on its way to destination. There is no waiting time for loading and unloading. Frequently, one man and a Clark-Ross Carrier can *complete* the delivery in the time it takes a full crew to *load* a comparable-capacity delivery truck. You make money because the wheels keep turning.

One man is the "crew," who loads, delivers, and unloads your material *without* outside

aid. This man and his Carrier go anywhere: in a yard, in a plant, or over a highway. And the Clark-Ross Carrier handles any type product . . . at speeds to 56 mph . . . and at the lowest cost per ton mile.

The Clark-Ross Carrier is a dynamic new idea to most industries, a proven system in others. In many cases it is the tool that makes the competitive difference. It is your opportunity. Why not investigate how your own company will benefit. Write for the illustrated 16-page booklet that describes how the Carrier is used at National Homes, American Bridge, Dole Pineapple, A. O. Smith and many other leading companies.

\*Clark-Ross is a trademark of Clark Equipment Company

**CLARK**  
**EQUIPMENT**

Industrial Truck Division  
**CLARK EQUIPMENT**  
**COMPANY**  
Battle Creek 42, Michigan

# THE PACKAGING NEWSFRONT

The old-time cream can at the sunny side of the railway station is giving way to modern packaging . . . and the **farmer, the creamery and the consumer are all benefiting.**

A big Illinois creamery has for several months been collecting **cream in Bemis Polyethylene Bags.** The farmer runs the cream directly from the separator into the 10-pound bags, then packs four bags in an insulated, corrugated box for shipment to the creamery.

**The Bemis Poly Bags are clean and sanitary.** They eliminate the time and expense of handling and washing crocks, pans and other utensils. The risk of cream losses due to boiling over in transit, or contamination from carelessly washed or rusty cream cans, is also eliminated.

The creamery reports that **bagged cream makes a better quality butter that commands higher market prices.** This is due partly to the insulated shipping, which minimizes summer souring and winter freezing.

**Among the other substantial savings are those of weight and storage space.** Eight Bemis Bags containing 80 pounds of cream, packed in two boxes, occupy the same space as one 5-gallon can containing 40 pounds.

When bags are used instead of cans, a truck half the size will carry the same pay load.

The creamery cites **more than thirty ways in which the producer and the processor benefit** from the use of Bemis Poly Bags. This is a most impressive example of the use of Polyethylene Bags for shipping fluid products.

You can answer so many needs with Bemis products . . . both in and out of the packaging field. If you need a package that **will increase sales, give better protection to your product, or simply save you money . . .** or if you are interested in other Bemis developments in paper, textiles or plastics . . . consult us. Bemis products meet an astounding number of industrial, commercial and recreational requirements, and new uses are continually coming to light. You may want our engineers to **create a new package, or to advise you on packaging methods.** Please write us.



408 D Pine Street  
St. Louis 2, Mo.

# Bemis

## READERS REPORT

### Christmas Cheer

Dear Sir:

. . . The editorial The Meaning of Christmas [BW—Dec. 31 '55, p88] could well have been printed on the front page of your issue instead of on the inside editorial page. Coming from the leading business magazine of the nation, the editorial was all the more important because most business news is material rather than spiritual. Perhaps there is a thought in that—more business news should be devoted to the integrity of business than to the size or volume of business . . .

MERTON M. BULLA

OKLAHOMA CITY, OKLA.

Dear Sir:

. . . Never again will the Christmas shopper need to worry about a gift for the man or woman who "has everything." The total expenditures for Christmas gifts this year were not only about 10% above last year's record figure, but they were boosted by extensive purchases of novelty items so unusual, in some cases, as to be almost crazy. Such as a six-foot, \$199.00 teddy bear; pearl encrusted light switch plates, \$2.00; fly-swatters bejewelled with rhinestones, \$5.95; and mink-trimmed tooth brushes especially suitable for that fuzzy morning-after taste. . . .

One reassuring thought is that most of the best-selling gifts, odd or ordinary, were designed for the home, showing that for the great majority of Americans, home is still where the heart is, at least during the Christmas season.

ERNEST W. MANDEVILLE

ALLENHURST, N. J.

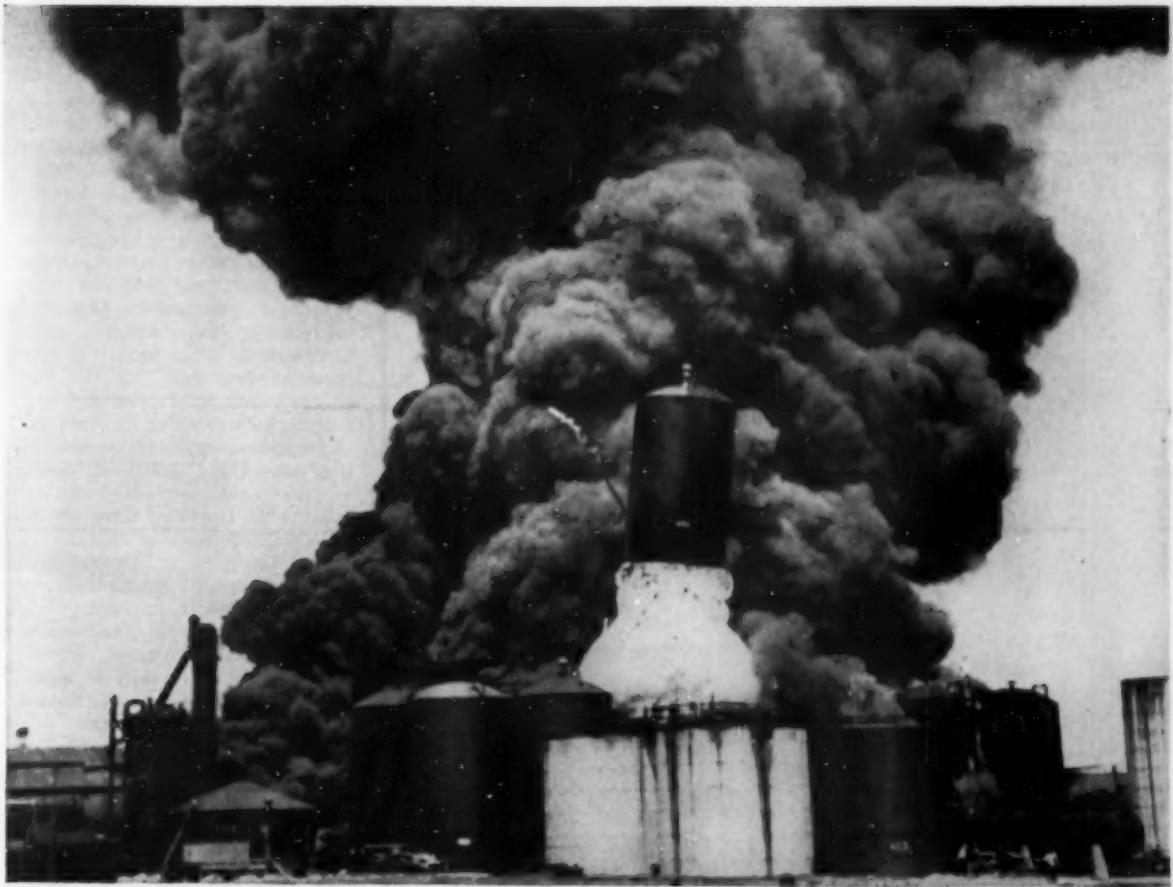
### Future Engineers

Dear Sir:

Your article Seeds for a Crop of Engineers [BW—Oct. 29 '55, p79] was most comprehensive and informative. Your readers, we are sure, would like to know that positive action along the lines described in your article, are being taken here in Marion, Ohio.

For a number of years our public school system sponsored a "Career Day." One day each year was set aside for the purpose of inviting representatives of the different professions and trades to counsel with those students interested in these occupations.

The Marion Chapter of the Ohio Society of Professional Engineers



## \$500,000 skyrocket!

An exploding 2000-barrel asphalt tank booms skyward, showering flaming asphalt on adjacent tanks, to devastate this storage area. Once fire has gained such headway, it becomes extremely difficult to control.

But there is a time when practically any fire can be controlled — and kept from turning into a disaster. That moment is at the very start — and the way to do it is with a Grinnell Fire Protection System.

Grinnell has spent more than three-quarters of a century building and installing reliable fire protection systems. Today Grinnell can offer you a system for every need. If you face a fire problem, call on Grinnell. Grinnell engineers are trained to evaluate your property and advise on the proper system for you. With a full range of equipment, you are assured of unbiased recommendations which will be fitted to your needs. Grinnell Company, Inc., 265 West Exchange St., Providence, R. I.

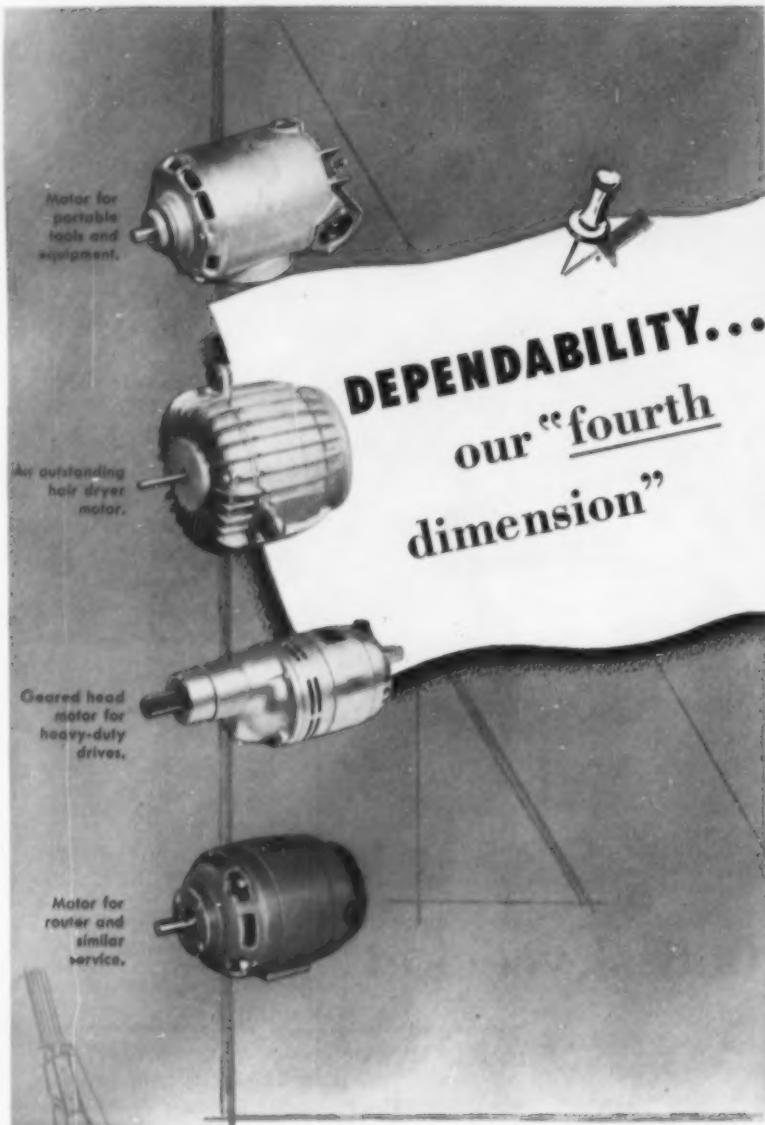
**There's a GRINNELL  
Fire Protection System  
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- **Automatic spray sprinklers** — wet pipe, dry pipe and Simplex systems
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- **Carbon dioxide blanket** — C-O-Two systems
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Designed and built into each of these Lamb Electric motors is the measure of reliability essential to the success of the products they drive.

Exceptional dependability and performance are standard with Lamb Electric motors because of our high degree of specialization in both equipment and methods, combined with rigid process control.

We would like to discuss with you these and the other advantages of Lamb Electric motors for your products.

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**Lamb Electric**  
SPECIAL APPLICATION FRACTIONAL HORSEPOWER MOTORS

felt that more time was needed to properly counsel these students in a selection of their future vocation.

As a result, positive action was taken and we are now sponsoring in our local public high school and parochial school the first chapters of the Future Engineers of America. The purpose of this chapter is to inform our young people of the opportunities in engineering and science and to encourage them to look into these fields for their future job opportunities. Our local professional group which is affiliated with the Ohio Society of Professional Engineers and the National Society of Professional Engineers, fully aware of the shortages of competent engineers as well as high school and college educators in these highly specialized and related fields, feels that development on a national basis of chapters of Future Engineers of America will provide the answer for the dilemma that we are now in. . . .

If any professional group wants to know of our program, we will welcome the opportunity to assist.

G. R. KILBOURN  
PRESIDENT, MARION CHAPTER  
OHIO SOCIETY OF PROFESSIONAL  
ENGINEERS  
MARION, OHIO

### Continental Confusion

Dear Sir:

With reference to Reader Geofroy's letter [BW—Jan. 7 '56, p8—Readers Report] entitled A Continental in Kansas, I wish to remark that most people who could afford to invest in a new 1956 Continental or any other automobile of its refinement would certainly prefer to buy it out of an enclosed showroom where it had been protected from the elements rather than from a location outdoors as shown in the accompanying photograph. Can you blame the upper-crust?

JOHN N. GILBERT II  
HOUSTON, TEX.

Dear Sir:

. . . Who'd look favorably on a Continental under a Cadillac sign?  
CLARENCE W. METCALF  
BOSTON, MASS.

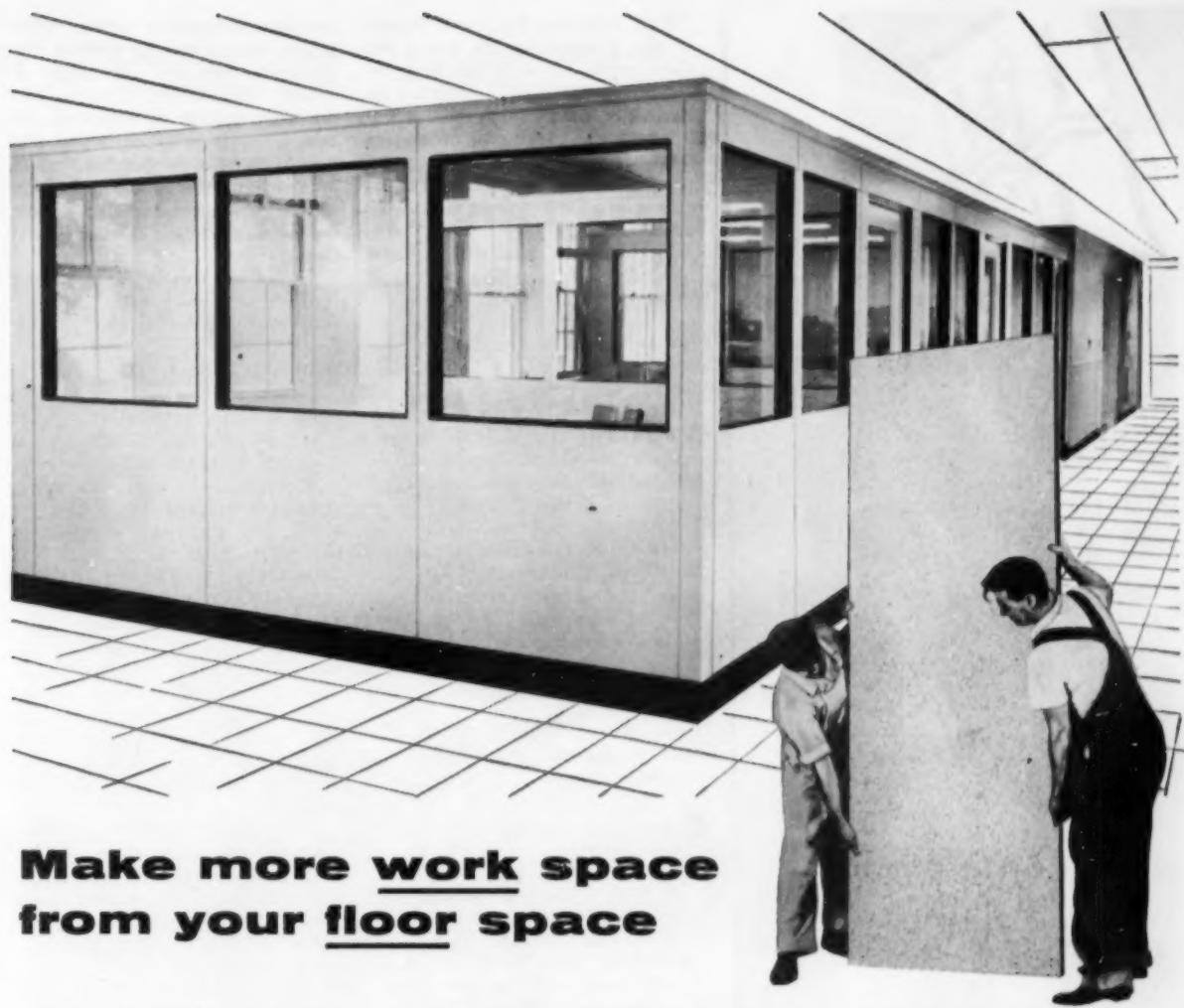
Dear Sir:

. . . One question—Could Jayhawk Motor Co. by chance be a Cadillac dealer ? ? ?

KEN HISLOP  
SANTA ANA, CALIF.

Dear Sir:

Fortunately, the letter entitled A Continental in Kansas [BW—Jan. 7



## Make more work space from your floor space

**J-M Class A Asbestos Walls are movable... save space and make  
space... are noncombustible, moderately priced... come in pleasing colors**

New Johns-Manville Class A Movable Walls offer you advantages never before combined in an asbestos movable wall. They are modestly priced. They are noncombustible. They have a textured, stipple finish in restful colors. They reduce maintenance and relocation costs to a new low.

The finish of Johns-Manville Class A Movable Walls is a tough, hard film much thicker than on the usual movable partition. It is mar- and scratch-resistant... rejects stain and soil... can be easily washed and even scrubbed, if necessary. If damaged, it can be touched up inexpensively to look like new... and, unlike other types of fac-

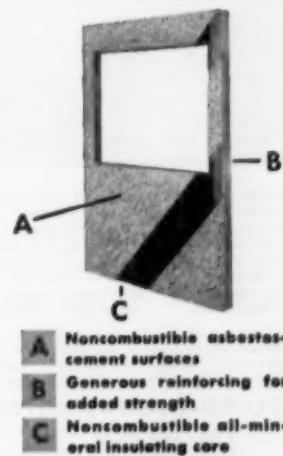
tory-finished partitions, can be repainted with ordinary paint.

### Undivided responsibility for a complete job

These flush or glazed partitions are erected as well as furnished by the Johns-Manville Construction Department complete with doors, door hardware, glass and trim.

An estimate will convince you that the cost of J-M Movable Walls compares favorably with other types of wall construction. For details, write Johns-Manville, Department BW, Box 158, New York 16, N.Y. In Canada, write 565 Lakeshore Road East, Port Credit, Ontario.

See "MEET THE PRESS" on NBC-TV, sponsored on alternate Sundays by Johns-Manville



- A** Noncombustible asbestos-cement surfaces
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# Johns-Manville



## a welcome sign

*In Latin America*

INTERCONTINENTAL HOTELS CORPORATION means superb accommodations, wonderful food and friendly, gracious bi-lingual service throughout Latin America. All rooms are magnificently appointed with a decorator's flair. Many are air-conditioned and all have modern, private bath. IHC hotels offer convenience and prestige to business men . . . and many of them provide glamorous vacation features such as colorful outdoor pools and sun terraces. When you travel to South America, Cuba or Mexico you'll find the IHC sign a truly welcome one.

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Hotel Tequendama

MARACAIBO, VENEZUELA  
Hotel Del Lago  
HAVANA, CUBA  
Hotel Nacional de Cuba  
CARACAS, VENEZUELA  
Hotel Tamanaco  
MONTEVIDEO, URUGUAY  
Hotel Victoria Plaza

Reservations can be made at any of these hotels, through our U. S. offices or by calling INNOCOR at each city . . . or through your Travel Agent.

### INTERCONTINENTAL HOTELS

*Corporation*

Chrysler Building, New York 17, N. Y.  
Stillwell 6-5858

Miami Office:  
Roper Building, Miami, Florida  
Miami 9-8474

'56,p8] fails to reflect a true picture of the popularity with which the Continental Mark II has been received by the public. Contrary to that letter, the fact that there is still a substantial backlog of orders for the Continental is attested to by our recently having been required to increase production from 16 to 20 units per day.

Furthermore, our dealers have had no difficulty selling the car at its suggested list price.

We do not find it surprising, however, that the used car dealer who wrote the letter to which I refer has had difficulty in selling the Continental he has, for it has become clearly evident that our customers insist on purchasing a product of this type through an authorized dealer.

So far as sales of the Continental Mark II are concerned, the situation has, if anything, improved since the article entitled Ford's New Continental: Selling Like Hotcakes appeared in your magazine [BW—Nov. 26'55,p28].

DOUGLAS T. MCCLURE

SALES MANAGER  
CONTINENTAL DIV.  
FORD MOTOR CO.  
DEARBORN, MICH.

### Economic Issue

Dear Sir:

In Why Economists Struck Out on a Hot Issue [BW—Jan. 7'56,p98] we get further evidence that there are definite limits to that function of the human mind known as the power of comprehension. The best educational discipline apparently is no more than a telephoto lens that can give distance but not breadth of view, and thus we produce a fine array of specialists. How to synthesize the work of these specialists appears to be the problem . . .

It appears that we have developed in this country an entirely new economic mechanism that, if not atomic-powered, seems to be driven by a combination of subtle forces that hitherto have evaded the analysis of economic scientists. It is possible therefore that new fields of inquiry may be given some attention, and of these what is generally known as psychology may show some encouraging signs. For example, fear is a deterrent to enterprise, so the prospect of peace seems to be the first fundamental necessary for economic growth. It probably will be conceded that Pres. Eisenhower, in a unique manner, has to date provided this country with the indis-

pensable prospect of peace. Other prime factors having similar psychologic roots are: the origin of profits, the sources of credit and the coordination of executive talents. . . . It is to be hoped that it may be possible for this type of approach to the problems of economic growth may receive a more extended coverage at some early date.

ROBERT L. STEWART  
INDUSTRIAL ECONOMIST  
HUNTINGTON PARK, CALIF.

### Relaxing Policy?

Dear Sir:

In the Business Outlook you comment on the fact that the Federal Home Loan Bank Board has somewhat relaxed its policy on credit and that this might keep homes building at a high rate [BW—Dec. 17'55,p17].

Actually, if anyone ever investigated the Home Loan Bank Board and the Savings & Loan institutions they would come to a very quick conclusion that it is almost impossible to "relax" the Home Loan Bank Board policy. All indications are that the Savings & Loans run the Bank Board rather than the opposite.

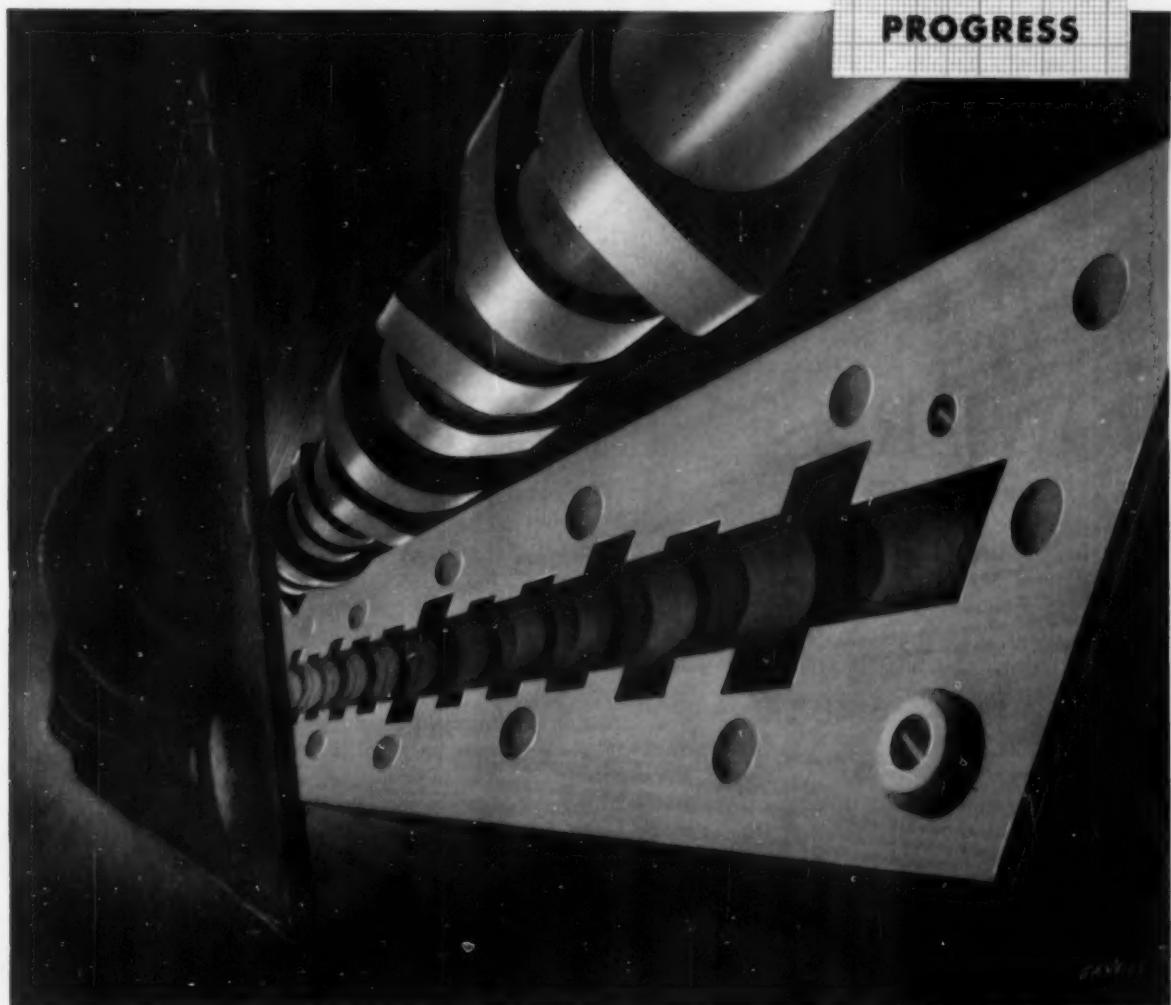
More credit would be available for home mortgages if the Home Loan Bank Board had put a stop to the 10% to 15% of total assets of the Savings & Loan Associations which can be invested in non-residential types of loans. For example, in the South Florida area the Savings and Loan Associations finance a large number of luxury type hotels and motels.

Strange as it may seem, Savings & Loan associations must be desirous of obtaining a high turnover in these loans because, after keeping them a short period of years, my friends with life insurance companies have told me that they have been offered these mortgages. The question arises as to why the Home Bank Loan Board has not put a stop to the residential type of loans. For example, one large Savings & Loan in this area financed the construction of an athletic club. It takes very little imagination on the part of anyone to understand why the officers of Savings & Loan institutions make these non-residential loans, and why they desire a turnover in this type loan. The Savings & Loan Associations were designed for home financing and the promotion of thrift, and nothing else.

JACK I. LEVKOFF  
MIAMI, FLA.

**Q.** Could chemical science help make possible the incredibly thin sand molds required by the new shell-molding process?

**A. RESINS THAT HATCH CASTINGS FROM WAFER-THIN SHELLS**



When shell molding was introduced to American industry, sceptics were quick to ask, "How can sand molds—a quarter-inch thick— withstand the heat and pressure of molten metal?"

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**CHEMICAL  
PROGRESS**

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ultrasonic cleaners.

**CINCINNATI, CINCINNATI, OHIO**  
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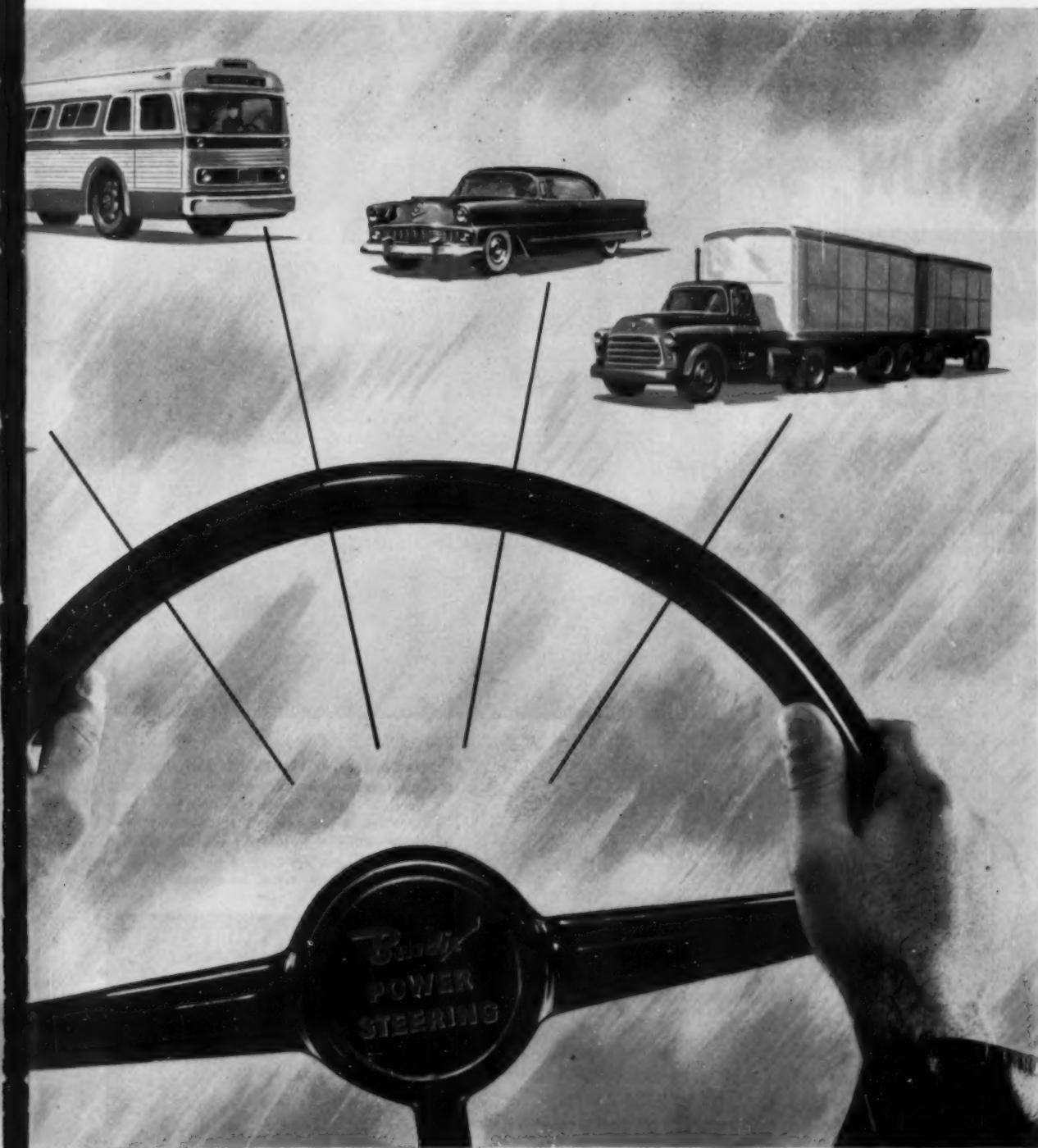
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# BUSINESS OUTLOOK

BUSINESS WEEK  
JAN. 28, 1956



**Business in January has presented a somewhat spotty appearance.**

Quite possibly, as President Eisenhower's economic report suggested this week (page 27), the trend still is upward.

But the rate of gain is so much less than during 1955's rapid rise that it hardly feels like an advance at all.

Manufacturing activity, over all, probably hasn't changed enough to talk about in the last two months. Strength in the producers' goods sector is about canceled out by weak spots in consumers' durables.

Output of hardgoods for the home, in fact, has apparently been sagging since September (after you allow for normal seasonal factors).

Business Week's Index (page 23) has been pursuing pretty much a side-wise course for the last several weeks. Steel output has been rising while autos have been going the other way.

Declining auto output gets so much attention that it is easy to forget that this is the second best January on record (page 45).

Production of new cars, when the figures are added up, doubtless will be slightly above 600,000 for the month. Only in 1955, with January output of 660,000, has this year's figure ever been exceeded.

Nevertheless, January is about 17% below November—and the drop from November's high week to the present has been some 22%.

Motordom's biggest trouble is that it built too many cars too early in the new-model year (quite aside from the fact that it probably sold too many 1956 customers in 1955).

November output was at a rate of 9-million cars a year; now we are back down to a 7-million rate (and even this is high for midwinter).

Even yet, you can't be sure the cutbacks have run their course.

**Inventories of new cars in dealers' hands soared to between 750,000 and 800,000 on Jan 1. (The exact level is in dispute.)**

Even if you allow for the diversity of models and colors of dealer needs in order to close a sale these days, inventories are high for this time of year. Indeed, **If we're in a sales slump, they are frightening.**

Figure, too, that output has outrun sales again in January. Perhaps 50,000 more cars have gone into stock since the year started.

Sales standings in the auto race seem to be taking a scrambling.

You hear talk in the trade, for example, of Chevrolet outselling the combined totals for other "low-priced" models. Yet even Chevvie has cut output back a bit from the high.

Here, in a capsule, is the difference between auto production now and at this time last year:

A year ago, autos rose 30% from November to January and were just

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK  
JAN. 28, 1956

getting up steam; this time, there's been a dip of 17% with no certainty of a pickup in the next several weeks.

—•—

**Steel producers** could handle the booming automotive demand a year ago without straining at capacity because needs from other industries were so much less pressing.

Steel then was at 85% of capacity; now it's running at 99%. Incidentally, 99% is bigger than it may look. It amounts to 101% of the industry's capacity at this time last year.

High steel mill operations haven't been able even to make a dent in today's demand—not even with automotive needs sliding.

Sheet may be ever so slightly easier to come by now.

But Iron Age this week reported the tightest kind of a bind on plates and structurals—restricting activity in construction, pipelining, and production of much-needed railway equipment.

Nobody in steel professes to see any possibility of easing in demand before summer at the earliest.

Even this week's slump in the price of steel-making scrap (sometimes regarded as heralding lower steel operations) dismayed no one. Mills are just holding out against high scrap prices, it is said.

But don't overlook the inventory factor. Many customers are buying—or trying to buy—more steel than they actually need.

Any change in sentiment will turn off this excess demand.

—•—

**Energy needs of the country**, already high because of booming industry, have been increased by heating requirements of a cold winter:

- Petroleum output from United States wells has pushed above 7-million bbl. a day for the first time.
- Electric power output recently has been around its new record rate of 11½-billion kwh. a week. The margin over a year ago has narrowed slightly, however, and now is averaging in the neighborhood of 15%.
- Coal production is holding around its best level of the winter—and that is the best level, incidentally, since 1952.

—•—

Employment trends appear to be normal for the time of year. That is to say, the jobless ranks have grown from their late autumn low but no more rapidly than would usually be expected.

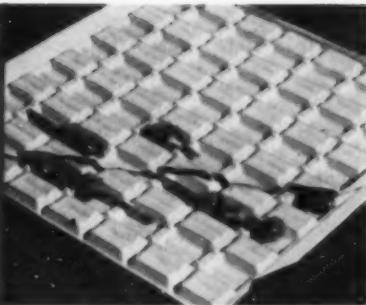
The number drawing unemployment compensation is below 1½-million.

—•—

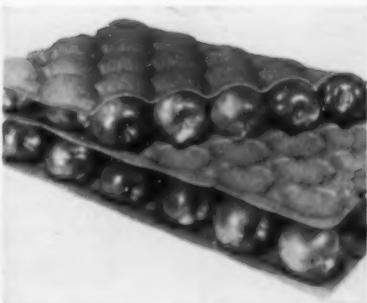
You've heard about retailers' plans to go out after the consumer dollars that aren't going into automobiles. Well, you'll find that the home builders are after them, too.

They figure that paid-off auto installments mean more money in banks—and that more funds in the banks mean more for mortgage lending.

The question, though, is bound to arise: With everyone going after the money not spent on autos, isn't someone going to be disappointed?



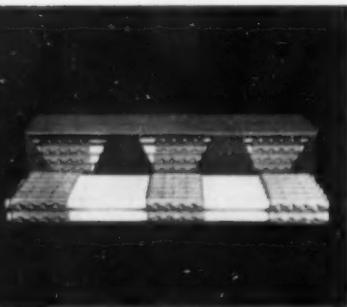
For Electrical Parts



For Apples



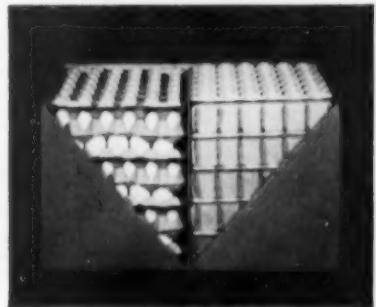
For Sandwich Spreads



For Glass Tubes



For Plants



For Eggs

## Keyes Molded Pulp Packaging Shapes Cut Costs, Save Space and Give Your Product Custom-Fitted Protection

Pictured here are a few typical examples of packaging problems effectively handled by molded pulp, the modern packaging material which provides maximum protection at minimum cost. These illustrations show how the most delicate merchandise can be packaged with greater safety, shielded from shock and impact by custom de-

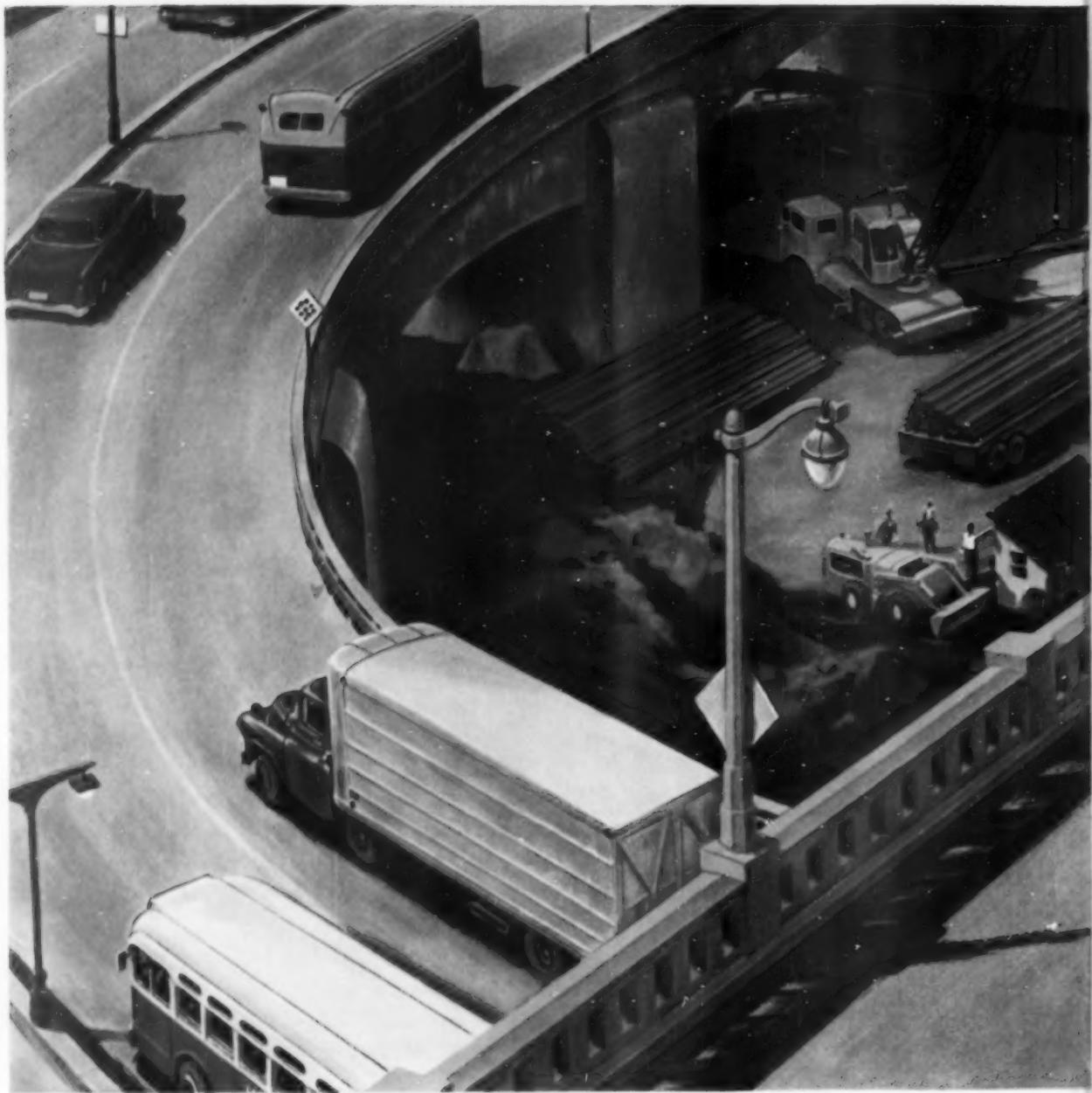
signed pulp shapes. In addition to savings from lack of damage in transit, packers usually find that molded pulp packing materials are less costly than ordinary packs, and save valuable storage and shipping space. The superiority of molded pulp is evidenced by the many major concerns already using this type of packaging.



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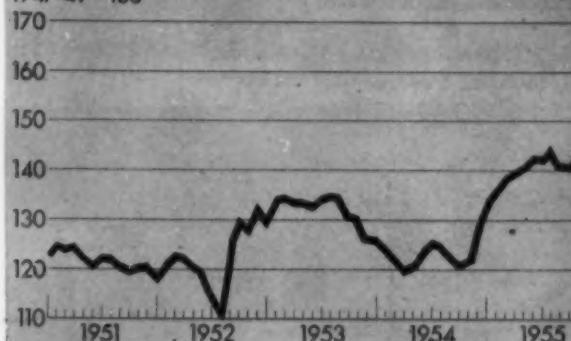
What's the result of this kind of personal service? About 3 out of every 9 products wrapped in cellophane are packaged in AVISCO cellophane. And our sales are still growing! Film Division, American Viscose Corporation, 1617 Pennsylvania Boulevard, Philadelphia 3, Pennsylvania.

\*Trade mark of American Viscose Corporation

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# FIGURES OF THE WEEK

1947-49 = 100



## Business Week Index (above) . . . . .

	Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
	*150.8	†150.1	149.8	137.4	91.6

## PRODUCTION

Steel ingot production (thousands of tons) . . . . .	2,413	12,437	2,309	2,051	1,281
Production of automobiles and trucks . . . . .	177,625	†181,742	177,250	190,155	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands) . . . . .	\$66,368	\$67,376	\$63,148	\$53,971	\$17,083
Electric power output (millions of kilowatt-hours) . . . . .	11,521	11,594	11,614	9,981	4,238
Crude oil and condensate production (daily av., thousands of bbls.) . . . . .	7,045	7,014	6,992	6,695	4,751
Bituminous coal production (daily average, thousands of tons) . . . . .	1,767	1,854	1,763	1,447	1,745
Paperboard production (tons) . . . . .	293,186	296,030	286,600	252,346	167,269

## TRADE

Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars) . . . . .	70	73	71	65	82
Carloadings: raw materials (daily av., thousands of cars) . . . . .	48	49	48	43	53
Department store sales (change from same week of preceding year) . . . . .	+5%	-11%	+6%	+16%	+30%
Business failures (Dun & Bradstreet, number) . . . . .	269	245	181	265	22

## PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100) . . . . .	403.7	403.7	404.9	415.3	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100) . . . . .	99.5	100.6	101.9	91.5	†173.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100) . . . . .	75.0	74.2	74.7	90.5	†175.4
Print cloth (spot and nearby, yd.) . . . . .	20.5¢	20.5¢	20.8¢	19.2¢	17.5¢
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100) . . . . .	155.8	†155.8	†155.3	144.7	†176.4
Scrap steel composite (Iron Age, ton) . . . . .	\$50.83	\$53.17	\$53.00	\$35.50	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.) . . . . .	43.985¢	44.205¢	43.369¢	30.000¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.) . . . . .	\$2.25	\$2.26	\$2.25	\$2.42	\$1.97
Cotton, daily price (middling, 14 designated markets, lb.) . . . . .	34.28¢	34.00¢	33.79¢	34.13¢	**30.56¢
Wool tops (Boston, lb.) . . . . .	\$1.76	\$1.76	\$1.70	\$2.02	\$1.51

## FINANCE

90 stocks, price index (Standard & Poor's) . . . . .	345.3	352.9	359.7	282.0	135.7
Medium grade corporate bond yield (Baa issues, Moody's) . . . . .	3.60%	3.61%	3.63%	3.46%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate) . . . . .	3%	3%	3%	1½-1½%	1-1%

## BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks . . . . .	58,572	58,421	58,739	58,368	†45,820
Total loans and investments, reporting member banks . . . . .	85,467	85,710	86,846	85,449	†171,916
Commercial and agricultural loans, reporting member banks . . . . .	26,322	26,396	26,627	22,163	†9,299
U. S. gov't guaranteed obligations held, reporting member banks . . . . .	29,509	29,686	30,260	36,602	†49,879
Total federal reserve credit outstanding . . . . .	25,872	26,375	27,101	25,482	23,883

## MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1946 Average
Cost of Living (U. S. BLS, 1947-49 = 100) . . . . .	114.7	115.0	114.3	83.4
New orders for machinery, except electrical (McGraw-Hill, 1950 = 100) . . . . .	141	151	96	N.A.
Construction & mining machinery . . . . .	140	168	117	N.A.
Engines & turbines . . . . .	138	164	95	N.A.
Pumps & compressors . . . . .	159	150	128	N.A.
Metalworking machinery . . . . .	275	218	124	N.A.
Other industrial machinery . . . . .	130	122	85	N.A.
Office equipment . . . . .	128	123	132	N.A.

\* Preliminary, week ended Jan. 21, 1956.  
† Revised.

‡ Estimate.  
\*\* Ten designated markets.

N.A. Not available.  
§ Date for "Latest Week" on each series on request.

## GENERAL BUSINESS

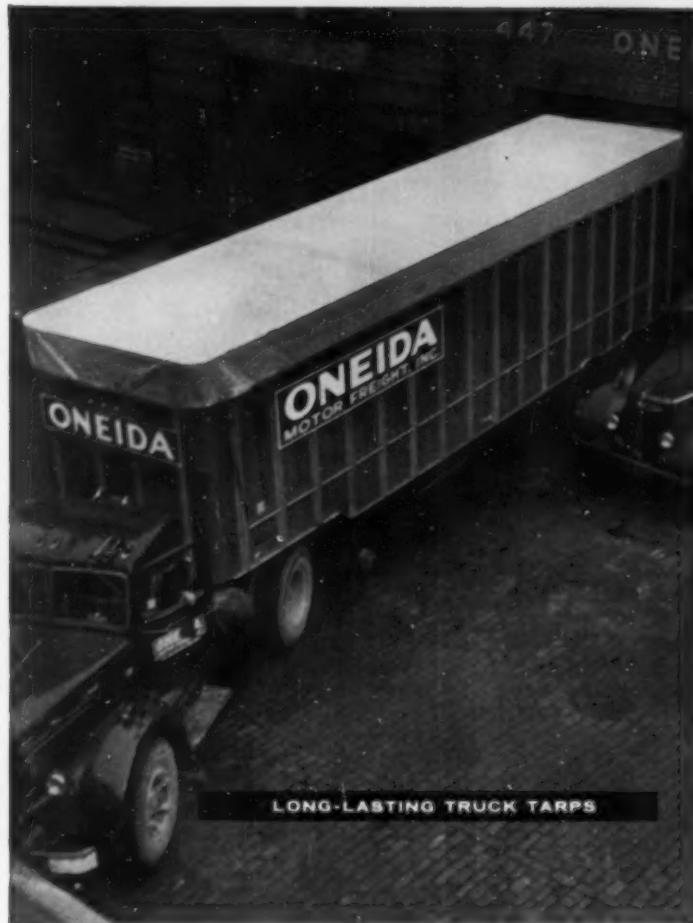
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## THE DEPARTMENTS

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**The Pictures**—Tom Abercrombie—86, 87, 95; Grant Compton—96, 97, 98, 99; Robert Goodman, B.S.—110, 111; Quint Gravatt & Co.—170 (bot.); I.N.P.—32 (top); Bern Keating—136 (top rt., bot.), 137; Herb Kratovil—Cover; Bob Landry—56, 57; R. G. Le Tourneau, Inc.—170 (top); Robert S. McCord—136 (top lt.); U.P.—31, 32 (cen. & bot.); W. W.—28-9, 150 (rt.); Dick Wolters—150 (lt.).

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- Lighter-weight
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Keith Alderson (above) is Traffic Co-ordinator for Sportsvision, Inc., in Hollywood. He says,

## **"I'm the Sunday morning quarterback!"**

"When the final gun sounds on Saturday's football games," says Keith Alderson of Sportsvision films, "cameramen rush their film to us.

"By Sunday morning, we've got finished prints of Pacific Coast Conference games into the hands of the coaches. They call me their 'Sunday morning quarterback'!

"But that's the easy part of the job.

"By evening, we've edited all the games into three half-

hour TV shows—Big Ten, PCC games, and the All American Game Of The Week. Out they go to 150 television stations for immediate showing.

"How do we do it? Air Express, across the board!

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## How to Nurse a Slackening Boom

● That's the theme of the President's economic report to Congress, based on findings of the Council of Economic Advisers.

● The official outlook is generally reassuring, but Congress is asked to look into consumer credit. Housing is a worry spot, too.

● Democrats will open fire on the Administration's views when committee hearings start next week.

Pres. Eisenhower and his economic advisers this week told Congress how to nurture a boom that shows signs of tiring.

The President's economic report—largely the work of Arthur F. Burns, chairman of the Council of Economic Advisers—is reassuring about the present state of business, despite soft spots in housing and autos. It cites forces in the economy that point to further growth—rising consumer spending, more investment by business, and increasing government outlays.

To keep this trend going, the Administration urges Congress to hold the line against tax cuts and to adopt recommendations already made for aid to farmers, depressed areas, and victims of floods and other natural disasters. The report also asks for favorable action on plans to increase federal spending for roads, schools, medical research, and other services.

● **Controlling Credit**—The new report makes one major recommendation that hasn't appeared in earlier Presidential messages this month: Congress is asked to approve a study of consumer installment credit, to determine if the Federal Reserve should be granted authority to control terms as it did during the Korean War through the old Regulation W. The report doesn't recommend a revival of Reg. W—only a study.

● **How Much Business?**—Eisenhower told Congress that business is at the threshold of a \$400-billion economy (BW-Jan. 21 '56, p33). He said it is reasonable to expect that "underlying conditions will remain favorable to economic growth." But the report stopped short of saying exactly how good the

Administration expects business to be this year, and it posted no specific level of business at which maximum employment can be maintained.

These omissions touched off a round of criticism by Democrats, who claim the Employment Act of 1946 requires the President to post such specific targets.

● **To Open Hearings**—Democrats will open their attacks next week when the Joint Committee on the Economic Report opens hearings. Hearings this year have been arranged to pit Administration spokesmen and Democratic critics against each other as directly as possible.

Burns next Monday, for example, will be followed the next day by Robert R. Nathan, a leading economic policy maker under the New Deal. Rowland R. Hughes, Director of the Budget, whose resignation was announced last week, will be followed by Gerhard Colm, formerly an economist with the Budget Bureau and the Council. Treasury Secy. George M. Humphrey has been invited to defend the Administration's tax policies, and Randolph E. Paul, general counsel for the Treasury under Franklin D. Roosevelt, will reply for the Democrats.

William McC. Martin, Jr., chairman of the Federal Reserve Board of Governors, will run into Marriner S. Eccles, a Reserve Board chairman during most of the Democratic era. Agriculture Secy. Ezra T. Benson and Murray D. Lincoln of the Cooperative League of the U.S. will trade blows on farm policy. Interior Secy. Douglas McKay will be opposed by Oscar L. Chapman, who held the job under Truman, in a discussion of water and power policies.

The hearings will wind up Feb. 15 with a panel discussion by spokesmen for labor, business, and agricultural groups.

● **Literary Coup**—Though Democrats will do their best to make election-year capital out of the economic report, they are not likely to challenge its professional competence.

Indeed, the section describing how the economy broke out of a mild recession in 1954 and climbed to its present peak may become a classic in economic literature. It is doubtful if an economic movement of such complexity has ever before been described so clearly and with such exactitude in a public document.

This section—titled How the Process of Expansion Cumulated—was the particular interest of Burns, though the entire report bears his personal stamp. Burns and his key staff members worked all night last Sunday, correcting proofs and changing copy; at 6 a.m. Monday, he personally took the final draft to the Government Printing Office and saw the 200-page report to press.

● **Central Banking**—Credit expansion plays a leading role in Burns's analysis of the business rise last year. Credit restraints introduced by the Federal Reserve gradually during the year are praised for slowing down the housing rush and for dampening a tendency of prices to rise. In fact, the Administration's confidence in the power of credit controls to moderate business ups and downs runs through the report as a dominating theme.

● **Slowdowns**—The report sizes up the near future by pointing out that "the scope of economic expansion has narrowed in recent months and its pace has slackened."

On the slackening side, it picks out housing for the most detailed treatment. The report does not say so, but some Administration insiders believe starts may fall below the 1.2-million starts posted as a target for 1956 by Housing Administrator Albert Cole.

The economic report sees some recent easing in the mortgage credit market, but some of Eisenhower's key advisers wonder if this will be broad enough to stabilize the housing picture. They are inclined to think that, as long

as general credit restraint is maintained, housing will continue to decline.

• **Supporting Factors**—Burns marshals an impressive list of factors that he believes are offsetting housing and autos in the current picture:

- New orders to business continue to outstrip production and sales.

- Business inventories, while growing, are largely due to autos in dealers' hands (page 45). For business as a whole, "there is little evidence . . . of excess or speculative inventory holdings." The current ratio of inventories to sales is low, by the standard of recent years.

- Although consumers have added heavily to their debts, they have also added to liquid assets, and their earning power has increased.

- Although current liabilities of businesses are rising, current assets are rising even more.

- Consumer buying in the last quarter of 1955 rose, over-all, despite the drop in auto purchases. And December finished as the strongest month of a very strong quarter, after adjustments for the normal Christmas splurge. Expected carry-over of rising consumer demand into 1956 is one of the bright spots in the report. Home furnishings, home improvements, and non-durables seem to have a particularly bright year ahead.

- Rising investment by business is foreseen for 1956; orders are expanding for machine tools, freight cars, engines, turbines, and production equipment generally. Construction of industrial and commercial buildings is also rising.

- State and local government spending is moving into higher ground, and pressure for local improvements continues. Federal spending will also move higher, when the new budget takes effect on July 1.

Burns uses this picture of an economy operating close to capacity in most lines as his argument against an immediate tax cut. He warns that a reduction now—"in the current state of high prosperity"—might serve chiefly to raise prices.

- **On Balance**—Balancing these signs of continued growth against sags in housing and autos, Burns and his associates evolve this short-run outlook:

"Taking recent developments all together, it is reasonable to expect that high levels of production, employment, and income will be broadly sustained during the coming year, and that underlying conditions will remain favorable to further economic growth."

The cautious undertone in that summary is deliberate. It is an effort to express confidence that 1956 will be a good year and, at the same time, to make it clear that the ebullience of 1955 is a thing of the past.



Violence on the picket line at Westinghouse plant is just a reflection of the bitterness

## Inside the Strike

At midweek the Westinghouse strike passed the 100-day mark—with 50,000 workers still out in one of the most complex, and most bitter, major strikes since World War II.

Neither set of negotiators showed any optimism. But observers close to the Pittsburgh negotiations reported that the company and the International Union of Electrical Workers teams were closing the gap. They had begun to move only in the last few weeks.

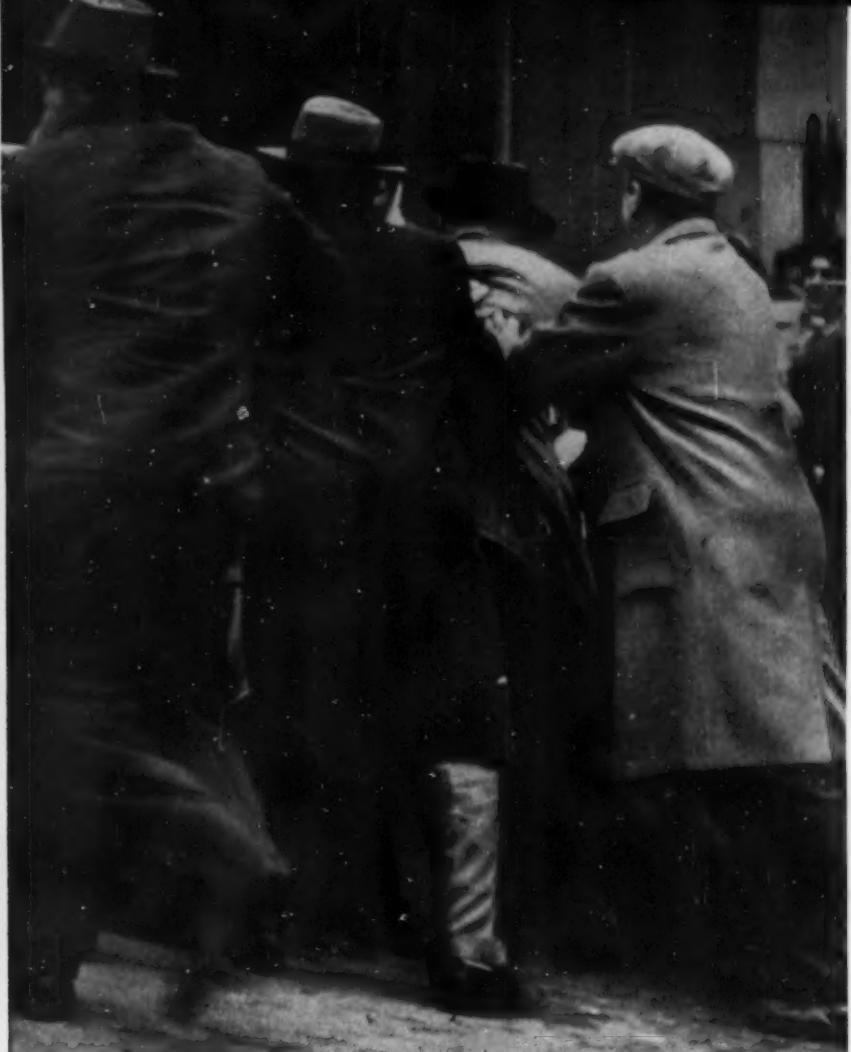
The first break in the meetings did not come until just before Christmas, on Dec. 20. It came with compromises suggested by Westinghouse, and was significant chiefly because it was the first real change after two months of bootless meetings, meetings marked chiefly by personal charges and counter-charges.

- **Strike's Core**—The easing came on

the two issues on which the wrangling, and the strike, center:

The **time-study plan**. The issue is the company's attempt to set work standards for day workers, workers such as maintenance men or crane operators who are on flat hourly wages. Much more broadly, though, Westinghouse sees this as the question of "management's right to manage." It believes that Westinghouse fell into a competitive disadvantage, much like the position of Studebaker a year ago, after years of easy-going atmosphere in which work standards relaxed and wage costs got out of line.

The **five-year contract**. Westinghouse from the start has insisted that it needed a five-year contract similar to that General Electric won in August (BW—Aug. 20 '55, p108). It felt it had to have long-term protection in dealing



produced by the rough, tough issues that lie . . .

## at Westinghouse

with customers on equipment, like turbines, that may take three years to build. It also needed it to reassure its dealers that it could continue to build consumer appliances without interruption.

On the first point, Westinghouse offered an acceptance of arbitration on grievances that would arise if employees were downgraded on the company's rating of day jobs. (The company has had no general arbitration clause in its contracts.) On the second point, Westinghouse offered a first contract that would be a one-year deal, but with terms to extend the contract to make up the five years—and so run the termination point beyond GE's contract.

A month's hard bargaining has narrowed these and other issues before the negotiating committees and federal mediators. In addition, there's the problem that always lingers in any major

strike—what to do about workers discharged because of alleged picket line violence, or similar charges. But this is one of the least of the problems in a highly complex set of issues.

• **Costs**—And it's a costly strike. Some 50,000 workers have lost their wages for more than three months. Westinghouse is running at a loss—and has lost the opportunity to earn millions of dollars in profits. More important, the strike has cut into the company's competitive position at a time when its rivals are surging ahead under full steam in the greatest boom their industry has ever seen.

### I. Gathering Storm

The real causes of the strike, the motives and reasons that made a major conflict out of what might have been

only a routine contract reopening, may be debated for years, just as historians debate the causes of war.

It has its roots in a deterioration of relations between the company and the union that began at least two years ago. It may have started with controversy over wage rates set at the opening of a new Kentucky plant several years back. In any case, IUE feels that the machinery for settling grievances at the top-management level began to break down. Then, in 1954, IUE met bargaining troubles in dealing with GE and settled for a one-year contract. But it gave Westinghouse a two-year contract, running until Oct. 15, 1956. The contract provided for reopening on wage questions in October, 1955.

But there was this provision—a crucial one:

Matters other than wages "may be presented by either party . . . but they shall be subject of negotiations during such reopening only by mutual agreement . . . for their consideration, and the union shall not have the right to strike with respect thereto."

By 1956, though, the atmosphere had changed. Westinghouse was running into trouble with heavy competition at home and abroad, new facilities were costing heavily, and profits were sliding (BW-Oct. 22 '55, p43). The union felt its relations with the company were deteriorating. Meanwhile the Steelworkers had just settled with their industry for a big 15¢ an hour. And in August, IUE was to sign a pace-making contract covering five years with GE.

• **Time Study**—On top of this, a local issue had been thrown into the national bargaining pot—and was to become the most explosive issue of all. The corporation had decided to undertake a broad program of day work time studies, as part of its program of general tightening up on operations. This study was to cover the group of storeroom employees, materials handlers, clerks, and others who are paid flat hourly rates. They make up about 55% of Westinghouse's payroll. The program was generally outlined to a meeting of shop stewards and, later, to district-level union leaders. IUE's top officers apparently learned of it, but did not realize its extent.

In August, time study engineers moved into the big East Pittsburgh plant. Their presence caused little excitement. But when workers realized the studies were being made on day workers, the 2,200 day workers struck. The strike closed the plant for six weeks. It ended just on the eve of the 1955 talks on reopening the contract—and under an agreement to study the issue as one of the questions that could be introduced into the talks "by mutual agreement."

That set the stage for the strike;

without the time-study dispute, chances are Westinghouse would have had no strike.

## II. Bitter Negotiations

On Oct. 5, IUE Pres. James B. Carey reported to the Federal Mediation Service that negotiations were deadlocked and that he would recommend a strike to his executive board. On the 17th, about 45,000 IUE members (and 10,000 from the United Electrical Workers) went out on strike.

Westinghouse, through vice-president and chief negotiator, Robert D. Blasier, was insisting on a contract similar to the one IUE had signed with GE, and most particularly a five-year deal. The union refused to bargain on any contract over one year. Carey would not discuss time studies or issues other than wages until the company agreed to a one-year deal.

Personal bitterness cropped up from the beginning. Carey was especially bitter against having a Westinghouse vice-president do the bargaining instead of Westinghouse Pres. Gwilym A. Price. Through the first two months he repeatedly said he would not deal with anyone but the company's top officer, and periodically refused to attend the meetings. Company negotiators fought back, complaining about last year's rash of wildcat strikes and laying the blame on Carey.

There were other complications. Carey had been in a hospital, being treated for ulcers, shortly before the Westinghouse negotiations. While he was gone, the union's GE Conference Board had agreed to its five-year deal with GE. Apparently Carey privately resented the long-term contract.

But the solid issue that kept the workers out (about 5,000 had gone back to work by this week) was the time-study plan for day workers. The union argued that this would determine what a day's work was for day workers and cited it as a threat to jobs and working standards. This is the basic bread-and-butter issue that gained more worker support than any other.

## III. Complex and Costly

All this has made the strike one of the most complex the U.S. has known. It gave the negotiators and the federal mediators a whole series of issues, rational and emotional. But the 100-day point, as it has in other long strikes, saw the pressure focusing.

Both Westinghouse and the union were hurting. The company has 54 manufacturing plants producing. And its fourth-quarter shipments were surprisingly high (partly because back-to-work movements in eight of the 40 struck plants helped move a lot of

equipment that was nearly completed when the strike began). But it lost \$1-million in the fourth quarter and it knows it is losing business (particularly on products that have medium-long, less than one year, production schedules).

• **Pressures**—The union, too, was beginning to feel pressure building up. It has had heavy contributions of money and support from other unions. But particularly among other unions in the Westinghouse chain, there were signs of pressure for a settlement. And the Steelworkers Pres. David McDonald was reported anxious for a settlement, partly because he felt the strike was hurting labor in the Pittsburgh area.

Outside pressure was building up, too. Some federal congressmen and senators have proposed fact-finding and arbitration. Pennsylvania legislators have come up with proposals for an agreement. Governors and mayors in Westinghouse areas have put in their

words. The Mediation Service itself, when its commissioners felt it was not making headway, switched from "passive" to "aggressive" mediation. Director James Finnegan called for a fact-finding board. All of these moves failed, but they meant pressure was growing.

At midweek both sets of negotiators were tired, far from sure that they had really narrowed the issues. One principal reported he felt they were "farther from a settlement than they had been a week ago."

• **Closer**—But observers, watching both sides and measuring the erosion time was working on the two teams, felt they were coming closer together on terms that would be very close to GE's settlement. Best indications are that the settlement on wage raises, which were not the key issue, would closely parallel GE's 3% boost—and the fringes, too, would be not too different from those worked out last summer.

## Navy Wants Atom-Powered Cruiser

**Work on proposed nuclear surface ship would help industry develop small reactors it needs for commercial use.**

The Navy has given the budding atomic power industry another tremendous boost by scheduling construction of a nuclear-powered cruiser. The kind of reactors (atomic power plants) that will drive the cruiser are precisely the type the industry needs most for foreign and domestic markets.

The Navy will ask Congress for money to start work on the cruiser this year. It probably will be powered by four nuclear reactors—somewhat similar to the submarine Nautilus' plant—but each with an electrical capacity of 15,000 kw. to 20,000 kw.

• **Excited**—Atomic power industry experts believe this is just the kind of reactor they could sell readily for land-based power plants—if they could build the reactors cheaply enough. But atomic reactors get cheaper as they get larger. So domestic power companies are building and talking about reactors with capacities in the range of 100,000 kw. or more. Development of smaller reactors is lagging.

What excites industry people more than the cruiser announcement is the Pentagon hint of plans to build more atomic-powered cruisers and destroyers and, eventually, to convert existing ones. This should provide the kind of construction and operating experience needed to bring down costs of such reactors.

Commercial interest in small power reactors is high, especially where conventional fuels are scarce and expensive. But costs make orders few.

• **Preparing**—The cruiser will have a dead weight of 11,000 tons, without crew, ammunition, or supplies—lighter than the present Boston class cruisers.

No contracts will be awarded until Congress provides funds. But the Bethlehem Steel Co. shipyard at Quincy, Mass., is believed to have been working on designs for such a ship. The Navy already is gathering volunteers to serve aboard it.

Apparently, the Navy is giving the cruiser preference over work that has been under way for several years on a nuclear-powered aircraft carrier. Navy schedules call for a start on construction of a carrier reactor in 1958. Westinghouse Electric Corp. has a contract to design this unit, and Newport News Shipbuilding & Dry Dock Co. is designing the carrier hull.

After lengthy soul-searching, the Navy decided recently to use nuclear plants to power light units of its surface fleet. Aside from considerable activity with submarines, it previously had thought chiefly of carriers, which could accommodate larger, more economical reactors. One reason for the change: the hazards of refueling conventional warships during hostilities.

Much of the Navy's enthusiasm arises from its experience with nuclear power for submarines (permitting extended operation submerged). The Nautilus is in operation. A second atomic-powered sub, the Sea Wolf, will start trials this year, and hull design work has started on six more.



GEORGE ALPERT (left) is no longer in McGinnis' shadow. He's top man in . . .

## New Haven's Fast Switch

The stormy two-year career of Patrick B. McGinnis (picture) as president of the New York, New Haven & Hartford RR wound up abruptly last week. Under fire from several directions at once, McGinnis resigned from the New Haven and, seven hours later, accepted the presidency of the Boston & Maine RR. His opponents, especially the New Haven commuters, were quick to suspect subterfuge. But according to insiders, his break with the New Haven directors was authentic, and the road's new president, Boston lawyer George Alpert, owes nothing to McGinnis.

"I'm not an interim president," Alpert himself declared this week. "I was not put in as anybody's man."

• **Directors Balk**—The story of what went on during McGinnis' final five weeks with the New Haven puts Alpert's statement in perspective. Though the New Haven board says it put no pressure on him to resign, the financial community is convinced that McGinnis, besides being the butt of commuter and community complaints about the road's passenger service, was falling out with his directors. They began to put restraints on him, and he resigned rather than accept any interference with his one-man show.

McGinnis' last weeks with the New Haven were marked by clashes in the public relations field. The directors installed a new public relations outfit,

Bernard Relin Associates of New York, responsible directly to the board. Two weeks ago, Station WNAC in Boston offered time on either radio or television for McGinnis to tell the New Haven's story about passenger service. McGinnis, so the story goes, accepted but was overruled by the new public relations people. They wanted the fuss to quiet down before they unmuzzled McGinnis. McGinnis resigned five days later.

Insiders say McGinnis lost the confidence of his board by his one-man operation of the road and by his lack of finesse in public relations. McGinnis himself explained his resignation as the result of "unprincipled and unbridled venom" directed at him by commuters and newspapers.

• **Cash Position**—Another possible reason for a falling-out is seen by observers close to the New Haven and its finances. Some big money interests have reportedly become concerned over the road's cash position—the annual report through last November shows a decline of \$9-million in capital and reserve funds since the previous year. The implication is that these investment groups began putting pressure on McGinnis through the board of directors.

McGinnis, however, has his defenders on this point. They say the Interstate Commerce Commission ordered a bookkeeping change that shifted items

from capital to current account. McGinnis' only fault, they say, could lie in letting the earnings statement look good without explaining how much of the gain came from the change in accounting procedure.

• **To the B&M**—When McGinnis decided to quit the New Haven, it is said, everyone in the inner circle agreed to let a public announcement wait until the B&M had elected him as president last weekend. By midweek, however, word was around, and McGinnis made his announcement.

Last spring, McGinnis had led a successful proxy fight in the B&M, with the backing of some of the same money as in the New Haven fight, according to insiders. There still is talk of New Haven-B&M merger.

• **Blast at McGinnis**—The name of Dumaine comes into the scene again, too. In his 1954 proxy fight, McGinnis had ousted Frederic Dumaine, Jr., as president but had since counted Frederic's brother Pierre, president of the New England Transportation Co., a wholly owned subsidiary of the New Haven, as relatively friendly. Pierre Dumaine was on the B&M board that elected McGinnis as president last week, fulfilling a pledge made during last spring's B&M proxy fight, but he immediately resigned.

"As time went on," Dumaine said, "it seemed to me that Mr. McGinnis' stewardship of the New Haven left much to be desired and that his performance there did little to commend his application for dual presidency."

• **Alpert Brothers**—McGinnis has divested himself of all his New Haven stock, about 3,100 shares. The two roads are now linked by a blood tie—New Haven Pres. George Alpert's brother and law partner, Herbert Alpert, is vice-president and general counsel of the B&M road.

The Alpert brothers became acquainted with McGinnis a couple of years ago when they brought suit against the Dumaine-controlled New Haven RR in behalf of the Boston Market Terminal Co. McGinnis put George Alpert on his slate and, a year later, invited Herbert Alpert to join the anti-management ticket at the B&M.

"I told Herbert then," George Alpert said this week, "that he would have to make up his mind whether to go with the B&M or remain my partner. We severed our partnership."

• **Byproduct**—Meanwhile, in Nashville, W. S. Hackworth resigned as president of the Nashville, Chattanooga & St. Louis Ry. to become president of the Nashville Trust Co. Hackworth had said he had been invited by "a director," before McGinnis resigned, to head the New Haven. The New Haven board denied that anyone else had been considered before election of Alpert.

# Weather

The weather has been more than a polite conversation piece this winter. If any conclusion has been reached, it's that the U.S. in general has had more droughts, more floods, more cold weather where it's normally warm, and more mild weather where it's seasonally cold, than in any year in recent history.

While a few long-range forecasters predict that the weather pattern will right itself by late spring, nobody official will hazard a guess as to what's causing all the trouble.

- **Theory**—A popular theory among astrophysicists is that the earth is now entering the height of a new sunspot cycle—a phenomenon, they claim, that always plays havoc with the weather. When there are a large number of sunspots, this group says, an extra amount of solar energy is radiated. Since the earth has to lose energy of the same order it receives, one of the ways this balance is maintained in periods of excess radiation is through cyclonic storms.

Theory, however, is of small comfort to regions of the country that have been suffering most from nature's whimsy.

- **Some Understatement**—“Continuous shower activity,” the weatherman's restrained description of what has been going on in California since mid-December—including the Christmas floods (BW—Dec. 31 '55, p20)—exacted a heavy toll in life and property. Since last July, when the weatherman's year began, over 20 in. of rain have fallen. That's almost 3 in. more than for the entire year 1954.

Southern California, on the other hand, is having one of the driest winters on record.

Even Texas hasn't been able to fend off the unfriendly elements. Farmers in the Houston area have been pinched by the below-normal rainfall in the late fall and early winter. But Dallas, a scant 250 miles north, has been getting some of the worst snow, sleet, and freezing rainstorms in years.

- **TVA Hit**—In Knoxville, Tenn., a 5-in. snowfall—heaviest in years—may offer some aid to dwindling TVA water supplies. Even so, weather observers say the drought conditions in the valley will set a record. Four of the authority's tributary lakes (Norris, Douglas, Boone, and Chatuge) are at rock bottom, and power generation has been curtailed.

Slightly to the west, the level of the Mississippi River at Memphis is still falling fast, and threatens to impair the river's barge traffic. Towboats are pulling loaded barges through water only 8 ft. deep. (Some barges draw almost that much water when full



**DROUGHT** In Tennessee, TVA water supplies are threatened as lakes dry up. Water is so low that people walk over land not seen in decades.



**FLOOD** Torrential downpours in northern California take a heavy toll in lives and property. Biggest crop damage is to grain, hay, walnut, and almond trees.



**COLD** Florida is thawing out from the worst freeze since 1895. Biggest economic losses—about \$30-million—have been in winter vegetable and fruit crops.

# Is Going Haywire

loaded.) And since a large share of the automobiles, petroleum products, and bulk chemicals going downriver are shipped by barge, a tie-up in river transport could have severe economic repercussions in the entire area.

• **Timber Threatened**—Farther east, Georgia Power Co. reports a drastic drop in its reservoir supplies. Traditionally, Georgia's rivers and streams are low from September through November, but by January are rising steadily from winter rains. One great concern over this year's drought—aside from the inevitable damage to grain crops—is the danger to the state's timber and pulpwood industry. Fires are damaging or wrecking many valuable stands.

Florida, which is just emerging from its most disastrous freeze in 61 years, will rack up a \$30-million-plus loss on its winter vegetable crops. In Miami, power companies had to ask residents to stop using ovens for heating purposes, because peak loads were blowing out power transformer fuses.

• **Northeast Woes**—In New England, almost the opposite situation exists. A biting cold spell, freak storms, and rain have left the region foggy and smudgy. Retailers are suffering, and about 30% of the lobstermen's gear was destroyed.

• **Going West**—The winter's freak storms wrought a multimillion-dollar toll in Oregon and Washington, too. Nurserymen and specialty crop farmers are the chief sufferers so far. But foresters feel that the greatest damage is to the region's timber resources. Winds up to 85 mph. swept across the forests after weeks of heavy rains. Heavy blowdowns could lead to another beetle epidemic—such as occurred after the 1951 hurricane that snuffed out 10-billion ft. of timber.

In Nebraska, weathermen say that you have to go back to the 1930s to find a winter as dry as this one has been.

In Montana, Fort Peck Dam, which has held as much as 16.5-million acre feet of water, now has 5-million acre feet.

• **Spared**—However, not all sections of the U.S. are in the throes of weather upheavals. Ohio, Michigan, Pennsylvania, and Arizona report no unusual extremes of temperature or rainfall. There's another indication, too, that this winter's weather isn't totally disordered. At mid-January, 130 counties in 10 states were on the Agriculture Dept.'s disaster list—thus eligible for cheap feed for livestock. At the corresponding period a year ago, the list included 934 counties in 17 states.

• **Not All Talk**—Weather forecasters, however, are the first to admit that

there's no satisfactory explanation of why certain regions have suffered this year. Since the time of Benjamin Franklin, they've realized that weather is a global phenomenon that won't be completely understood until man is able to measure over an extended period

not only radiation entering the atmosphere when the sun is quiet, but also radiation emitted during solar flares and other disturbances.

The most significant contribution to our knowledge about weather will come with the launching of the artificial satellite in Florida next year. Then, the weatherman may be able to describe not only what's coming in particular areas, but what's causing it.

## Olin Deal Fulfills Three Dreams

Aluminum expansion continued unabated this week—but with a striking new evolutionary twist. This time, it came as part of a deal that brought fulfillment for three major companies' dreams. And it opens new sources of supply for five commodities—coal, aluminum, power, chemicals, alumina.

That was the significance of Olin Mathieson Chemical Corp.'s announcement, weeks after the news leaked out, that it will erect a 60,000-ton aluminum plant on the Ohio River near Clarington, Ohio. The project is loaded with "firsts":

• Pittsburgh Consolidation Coal Co., one of the participants, will build the country's first low-temperature coal carbonization plant. Designed to yield coal chemicals in volume and quality unavailable from the steel industry's coke plants (BW-Dec. 15 '51, p84), the plant also will yield a new, lower-cost, boiler fuel.

• American Gas & Electric Co. will operate a two-unit power plant on the opposite bank of the river. AG&E will own one of the two 225,000 kw. turbine-generators, apply it exclusively to its own system; Pitt Consol and Olin Mathieson will own the other jointly and use its output for the aluminum plant. AG&E's Pres. Philip Sporn has been working for at least five years to bring aluminum's big power loads to the coal-based utility generation of the upper Ohio Valley. The Olin plant will be the second aluminum load to respond. Kaiser Aluminum & Chemical Corp. recently contracted for a long-term 450,000-kw. supply from AG&E.

• Olin realizes three-year dream by getting into aluminum smelting, and building the nation's first integrated aluminum plant.

• Aid for Area—Pitt Consol expects to spend about \$20-million for a new mine and its carbonization plant. Olin will spend \$90-million for its aluminum plant, and a joint Pitt Consol-Olin subsidiary will spend \$30-million more on the power plant. With AG&E's \$30-million investment in the second turbine, a total of \$170-million will go into an area that has suffered from coal's slow business.

• **New Fields for Coal**—To feed its low-temperature carbonization plant, Pitt Consol will open a new 2-million ton mine beside the river. At the plant, volatile elements will be driven off the coal by heat of about 900 F. (half or less of conventional coke-making heat ranges) and processed chemically for sale. The residue—perhaps 66% of the input—will flow to the new power station for boiler fuel.

Pitt Consol gets several advantages from the project: (1) The large-scale long-term coal sales let it mechanize its mining thoroughly and recover the costs over many years; and (2) it gets a new revenue source by extracting a maximum chemical yield from its coal.

It can process these chemicals itself, further raising the cash yield from its coal. And, if it chooses, it can apply some of the chemical proceeds against the price it charges the power plant for the residual "char"—letting it price its coal competitively for boiler-fuel use.

• **New Tactics for Power**—Through the deal, AG&E demonstrates new tactics for the power industry, too. For years, power men have yearned to serve the huge demands of electro-metallurgy and electro-chemistry, but they've been somewhat afraid to tackle them, too. Such loads are so large and so continuous that they conflict directly with conventional utility practice.

So now, Sporn has demonstrated a third way, within three years, of accommodating such loads to utility systems:

• He allied AG&E with numerous other utilities to erect and operate a 2.2-million kw. system serving the Atomic Energy Commission at Portsmouth, Ohio. Here, utility credit, knowhow, economies, and reserve capacity captured the business.

• In his Kaiser contract, Sporn assumed a perilously large single-purpose load for a conventional utility system to take on. But the AG&E system, with 4-million kw. operation and another 1.7-million kw. building, not only can supply it but can absorb it if Kaiser's demand slows.

• In the Pitt Consol-Olin deal, AG&E's integrated system offers Olin invaluable economies and protection.

# Antitrust on a Pre-Election Splurge

- It looks like a landmark year in Congress for antitrust—particularly antimerger—moves.
- Approval is sure for big budget increases for enforcement, mostly to beef up antimerger work.
- And the parties are vying to get credit for a bill to require advance notice of merger intentions.

This year seems certain to be one of the real landmark years in antitrust history—the biggest since 1950, when Congress finally made effective the antimerger section of the Clayton Act.

This week the government settled two of its biggest antitrust cases (page 160), one against American Telephone & Telegraph and the other against International Business Machines. But there will be others coming along in their place.

The politics of making an election year record for this fall's campaigns practically guarantees major increases in the government's authority and ability to file antitrust—and particularly antimerger—cases.

• For one thing, Congress is sure to approve huge budget increases for the antitrust agencies—Justice Dept.'s Antitrust Div. and the Federal Trade Commission—as requested in Eisenhower's budget message last week. The lion's share is already earmarked for beefing up antimerger work—which means more lawyers, more investigations, more cases.

• Leaders of both parties—from the President on down the line—are behind a proposal to require advance notice to the antitrust agencies by corporations intending to merge. This pre-merger notification, backed up by penalties for failure to comply, would allow the government to act well before a merger could be accomplished. Eisenhower urged it in his economic message this week.

• **Accent on Mergers**—By and large, the emphasis in Congress and the Administration is in the merger area.

With the rising tide of mergers, Democrats—who engineered the 1950 antimerger amendment—have been trying to make political hay with charges of laxness against the Republicans.

The Republicans say they don't need to take a back seat on antitrust—and the record pretty much bears this out. The number of antitrust and antimerger cases filed has been increasing year by year since fiscal 1952, the last full year of Democratic control, when 59 cases were filed. Up to last Monday,

with nearly half of fiscal 1956 still to come, the Republicans had filed 48 cases—and six of these were antimerger cases, the largest number in any of the last five years. Expenditures, it's true, dropped from 1952 to 1955, but this year they are above the 1952 figure.

• **Step-Up**—To counter the charges made by such Democrats as Rep. Emanuel Celler (D-N. Y.), the Republicans—in actions last week and this week—plumped for what is possibly the biggest single step-up in antitrust enforcement ever. They also brought in their own carefully drawn legislation to tighten the antimerger law.

Eisenhower's budget message, submitted last week, calls for million-dollar increases, roughly, for both Federal Trade Commission and Antitrust Div.

FTC's Republican chairman, John W. Gwynne, told Celler's House Judiciary Antitrust Subcommittee that about \$951,000 of FTC's increase would go for antimerger work. This is on top of FTC's current antimerger budget of about \$300,000. Gwynne's breakdown shows FTC plans to add 165 people to its present 36-man antimerger staff, including 100 more lawyers.

A good chunk of the \$1-million-plus increase asked for the Antitrust Div. will also affect antimerger activities—if only "indirectly," as Antitrust Chief Stanley N. Barnes put it this week. It's likely to be used to increase the Justice Dept.'s 24-man staff now assigned regularly or part time to this work, though Barnes would not say whether this was the case.

• **Bill**—Barnes, testifying this week before Celler's committee, gave his official Administration support to the pre-merger notification idea. Rep. Kenneth Keating (R-N. Y.), ranking minority member of Celler's committee, introduced the Administration bill the same day.

Keating's bill would require 90 days' advance notice to FTC and the Justice Dept. by companies intending to merge, if their combined capital, surplus, and profits exceed \$10-million. Barnes says this would include, roughly, 65% of all mergers.

The Keating bill provides for a civil fine of \$5,000 to \$50,000 for failure to give the required notice or to furnish the information requested by the government. As in all the other bills introduced, the government would not be barred from challenging a merger later.

In purpose, the Keating bill is similar to those introduced by several Democrats—including Celler. But Keating claims it avoids technical difficulties in the other bills, thanks to drafting assistance from Barnes and his staff.

• **Gains**—Barnes says pre-merger notification would have these advantages:

- It would ease the enforcement burden on his staff, which now spends much time ferreting out anti-competitive mergers before they occur. Since January, 1953, it has made a "limited" review of some 1,900 published merger reports, a detailed inquiry in about 110 cases.

- It "may well benefit the business community," by making for less disruption of company plans if the government acts before merger occurs.

- **Differences**—Right now it is hard to say precisely what kind of bill will come out of Congress, since the independent but Republican-controlled FTC differs on details with the Justice Dept.

Though there is agreement on the principle, there is some difference on what size corporation should have to give notice. Another dispute is on penalties. FTC's Gwynne recommends that any merger undertaken without complying with the notice and reporting requirements should be set aside automatically in court. Barnes favors the Keating bill's fine provisions.

Perhaps a more serious conflict is Barnes's opposition to FTC's request for authority to get pre-merger injunctions. The Justice Dept. now can ask a court to hold up a merger, but FTC cannot. Barnes apparently thinks FTC—since it acts as both prosecutor and judge—should continue to ask Justice to get injunctions where needed.

- **Credit**—Even those opposing pre-merger notification believe Congress will pass such legislation this year. The race seems to be to see who gets credit for putting over a bill. Both parties would like the distinction.

- **More**—Other proposals with backing from both Administration and Congress:

- Closing a loophole on banks, so the antimerger law would cover acquisition of bank assets as well as stock.

- Giving the Attorney General a new kind of subpoena power, enabling the government to see any corporate documents it wants in antitrust—including antimerger—investigations.

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THE reason every American has better food, shelter, health, security than almost anyone in China, India, Africa is *machines*. Those continents and countries have tremendous natural resources, and are older than America in many skills.

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Modern machines *well used* (and that's equally important) turn out more things at lower costs

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When politicians promote taxes so high they prevent companies from buying modern machines, and when so-called leaders preach against maximum machine production, both are attacking your standard of living. And both are preaching the weakening of America. They may not be communists but communists couldn't do it better.



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Every year thousands of teen-agers learn the fundamentals of our American economy through Junior Achievement. By forming and operating miniature corporations, they experience the many problems of free enterprise first-hand. We recommend the support of Junior Achievement, a nation-wide organization that helps develop better-informed future citizens and leaders.

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One of the most dramatic applications is on these final wrapping machines where V★S Driven must start, accelerate to 3500 rpm., and stop more than 20 times a minute.

"Saran Wrap" sheets, only 1/6th the thickness of a human hair, will break and halt production if starts are sharp or jerky. Reliance Drives provide delicate speed changes day in and day out without a single break due to uncontrolled acceleration.

This feature of V★S Drives, called *Dynamic Response*, is only one of many qualities. They can regulate tension, synchronize operations, control speed rates, and automatically program speed changes.

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# RELIANCE ELECTRIC AND ENGINEERING CO.

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Canadian Division: Welland, Ontario

## BUSINESS BRIEFS

**Cause and effect.** Denman Enterprises, Ltd., of Canada offered to buy 300,000 shares of Western Auto Supply Co. at \$38 a share, well above the market. Next morning Western shares opened at 364, a jump of 54 from the previous closing.

**On the rails:** Unification is being studied by the Great Northern Ry. and the Northern Pacific, already kissing cousins through their joint ownership of the Chicago, Burlington & Quincy and the Spokane, Portland & Seattle.

**The Chicago & North Western Ry.** has been informed that Ben W. Heine- man, of the Minneapolis & St. Louis Ry., and associates have bought a "substantial" chunk of its stock.

**Southern Ry.** stock will be split 2 1/2-for-1, if stockholders and ICC approve.

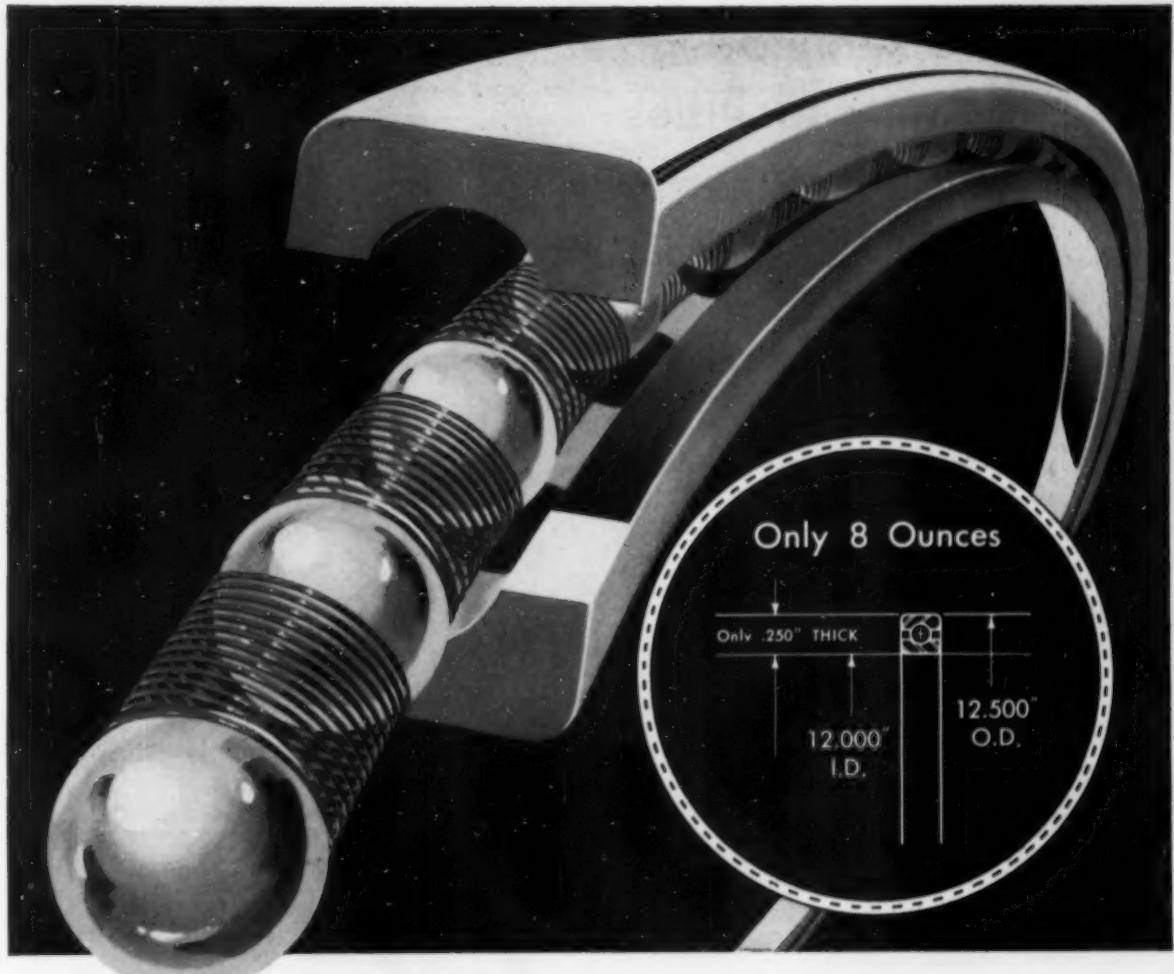
**Economic indicators** from here and there: The Agriculture Dept. sees farm prices creeping up a bit early this year, but not enough to regain levels of early 1955. . . . National income in third-quarter 1955 reached an annual rate of \$326-billion, says the Commerce Dept. That was up 14% above the second quarter, 9% above third-quarter 1954. . . . Trade sources say that new orders for machine tools in early January were maintaining the peacetime record pace set in December.

**Corporate courtship:** Gruen Watch Co. is dickering for control of Waterman Pen Co., Ltd., of Montreal. Burton M. Joseph, Gruen chairman, says agreement is in sight. . . . And **corporate shift:** Cigar operations of P. Lorillard & Co. are being sold to Consolidated Cigar Corp.

**Fare Harvard:** Tuition for undergraduates at Harvard and Radcliffe will jump next fall to \$1,000 a year from \$800. The fee for graduates will be \$800 instead of \$700.

**Importers in Latin America** boosted their debt to U.S. importers by \$4.6-million during December, to a year-end total of \$146.9-million, the highest since October, 1953.

**Louis Wolfson** is resigning from the board of Montgomery Ward & Co. The financier, who last year lost his battle for control of the mail order house but won a seat on the board, said that he was not selling his Ward stock, since he had full confidence in present management.



## Reali-Slim... by Kaydon world's thinnest radial ball bearing

HERE'S a typical example of Kaydon's *Reali-Slim* unique radial ball bearing that's finding wide application in practically every industry. *Reali-Slim* are the world's finest thin-section bearings and proportionately are thinner than a wedding ring. The bearing illustrated here is 12.000" I.D., 12.500" O.D., .250" thick — weighs less than 8 ounces. Designed for minimum weight and space limitations, it has a static load capacity of 5,520 lbs. and 894 lbs. at 100 rpm.

If you're looking for *Reali-Slim*, lightweight, radial ball or roller bearings, look at Kaydon's *Reali-Slim* line. Besides hundreds of standard *Reali-Slim* designs, there's a wide

variety of special races, seals and separators to meet special bearing problems. What's more Kaydon is able to produce these *Reali-Slim*, high-precision bearings because Kaydon specializes in the unusual. In addition, Kaydon bearing engineers are prepared to give you valuable help with technical bearing application problems.

For complete data on *Reali-Slim* bearings for standard or special applications, ask for engineering Catalog 54 RS-2.

**Reali-Slim Ball Bearings** — in Conrad, angular contact, 4-point contact and other types are available in seven standard cross sections from .250" to 1" and in bore diameters from 4" to 40".

**Reali-Slim Roller Bearings** — in radial or taper roller types are available in cross sections from  $\frac{3}{16}$ " and in bore diameters from 3" to 40".



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Planned with  
the finest facilities  
...to build  
the finest of cars



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General Contractor: H. K. FERGUSON CO., CLEVELAND  
Mechanical Contractor: STANLEY CARTER CO., DETROIT*

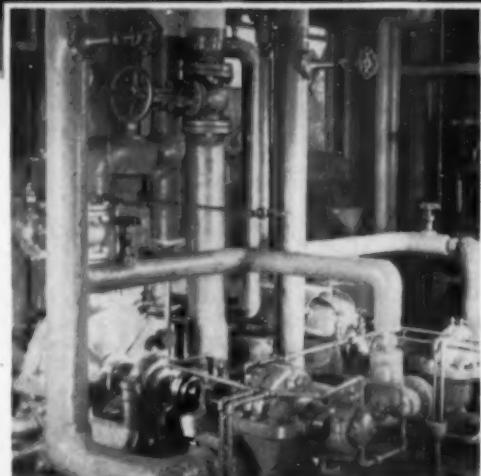
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**JENKINS VALVES**

The new Continental Division plant of the Ford Motor Co. has been built with every facility keyed to an avowed purpose . . . producing America's finest motor car.

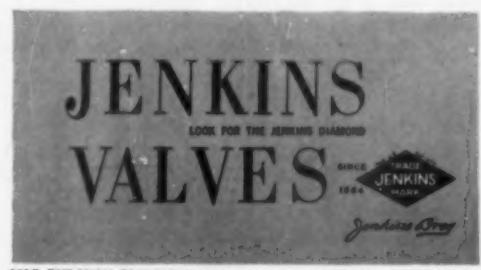
All components were selected to meet the highest standards of performance. Jenkins Valves control the intricate network of pipelines so essential to modern plant operation.

Confidence in the time-proved efficiency, economy, and safety of Jenkins Valves is the reason why they are chosen for so many of the news-making structures that are pacing the advance in modern plant design.

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THE JENKINS VALVES installed in the Continental Division plant include many sizes of globe, angle, gate, and check valves. The above illustration shows Jenkins Valves installed on condensate return pump lines.



# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
JAN. 26, 1956



Odds are you will get Pres. Eisenhower's 1956 decision by spring.

The final medical report will come within three weeks. Eisenhower will make his decision within a matter of weeks thereafter and let the voters know. So, by mid-March or Apr. 1 you should know definitely.

The up-coming report by doctors will be good. The President's own physician, Dr. Snyder, makes a daily check and keeps the heart experts informed. The fact that the President, after his Key West rest, has been able to take on more duties, including resumption of his press conferences, is an indication that his recovery is going well.

But limitations on activities will remain. The doctors are certain to advise this. Eisenhower, himself, acknowledges that his life from now on must be carefully regulated. That's the big reason why doubts that he will run again have been spreading, despite the efforts of GOP heads to create the impression that he will.

Foreign affairs will occupy Eisenhower more and more, as he builds back to a nearer-normal work schedule. In fact, they may well become the major non-health consideration in the decision on whether or not to run again. Here's how some close advisers picture the President as feeling today:

On the home front, the outlook is good. The Economic Report to Congress (page 27) forecasts a high year for business. And behind this is a real conviction by Eisenhower that the public supports his domestic policies.

Abroad, the picture is different. No war—no big war—is anticipated. But Eisenhower expects the East-West economic and political struggle to grow hotter. He feels the Russians' challenge is underestimated.

Foreign policy will be pushed on several fronts.

Long-term economic aid tops the list. Note the recent White House conference with Sen. George, the Democratic chairman of the Foreign Relations Committee. The President feels strongly that commitments of a few hundred million yearly to underdeveloped areas can go far to head off Russian offers of economic assistance. There is a real constitutional issue involved—Congressional control of the national purse strings. But the opposition Eisenhower is meeting from Democratic internationalists is hard to explain, except on the political ground that the Democrats, lacking election-year issues, simply aren't passing up any bets.

Other measures to be pushed: U. S. approval of the Organization for Trade Cooperation, sharing of information on peaceful use of the atom and a sort of international food bank.

The food bank idea is this: Transfer surplus farm products, say wheat, to India or other countries that face recurring famines. These countries would hold the stocks as emergency reserves—their own ever-normal granaries. This would get away from the "dumping" issue and at the same time cut down on some of the stocks that depress U. S. markets.

# WASHINGTON OUTLOOK **(Continued)**

WASHINGTON  
BUREAU  
JAN. 28, 1956

Congress will give Eisenhower a "one package" farm bill. The final form won't be set for weeks, but Democrats now think on these lines:

Supports at 90% of parity will be an avowed aim. But a return to this level may not be made mandatory. This would recognize the Administration's insistence on flexibility and might avoid an Eisenhower veto. But for the purpose of politics, it would permit the 90% issue to be raised on any basic crop that the Administration ticketed for lower support.

A soil bank will be included, along with other conservation proposals backed by Eisenhower, calling for direct payments to farmers.

This would be a retreat for the Democrats. Their stand has been for mandatory 90% props. But apparently they are worried about political reactions if they held out for the flat 90%, with the ultimate result that farmers got nothing in an election year.

On extension of coverage of \$1 per hour minimum wage, Labor Secy. Mitchell still hasn't got the word on how far the Administration is willing to go. He's being bucked by Commerce Secy. Weeks, prodded by business groups. The extension proposal may be limited to big retailers operating in interstate commerce—such as mail order houses, A&P, Safeway, with other retailers and the service trades remaining outside the law.

## Watch union labor on the school aid issue.

An about-face on the anti-segregation amendment is coming. The unions have been advised by their attorneys that the Supreme Court will bar any construction aid for segregated schools. As a result, the unions now will not insist that legislation passed by Congress carry the old anti-segregation amendments, which helped pigeon-hole this legislation last year.

## The big highway bill probably will be voted.

Here's what the House Democrats are moving toward: a single bill, with higher "use taxes" on motor fuels, oil, and tires to meet the costs. Trucker opposition is softening. The new schedule of taxes won't be so heavy on the highway freight haulers as the measure turned down last year.

## Eisenhower will accept "use tax" financing.

Stand-by installment credit control probably won't be voted this year. But Congress may O.K. the study proposed by the Economic Report.

Opposition to new authority will develop on these grounds: Auto sales and home-buying, both big users of installment loans, now are easing off. There's fear in Congress that a new law might be a further depressant.

A new manual of economic controls to be slapped on in event of war, a Korea-type war, has been prepared by the Administration. As of now, the document is classified—can't be made public.

It's a source of controversy. The anti-secret school feels that the public and businessmen who would have to live and work under the system should know in advance what is expected of them. The anti-publication side of the argument is that if the plan is revealed in advance, then there will be pressure from all sides for revisions. Eisenhower, himself, may have to settle the argument.

NEW DEPARTURES OF TOMORROW

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From catch to "quick-freeze" in minutes . . . that's the trawler of tomorrow—a floating fishery to locate, attract, catch, process, package and freeze fish . . . manufacture by-products and conserve spawn. Imaginary? Sure! But it's coming. And look for New Departure ball bearings, many self-sealed and lubricated-for-life, on the job. New Departures simplify design, require little or no maintenance, assure long-life performance of working parts under extreme conditions. Today, as in the future, it's New Departure for the finest in quality and engineering service.

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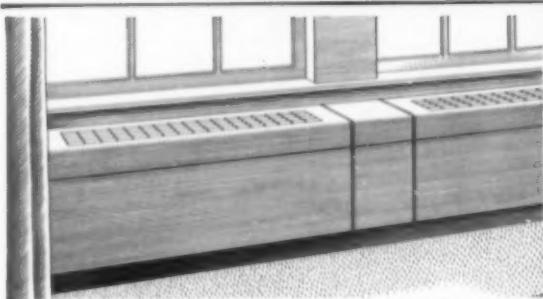
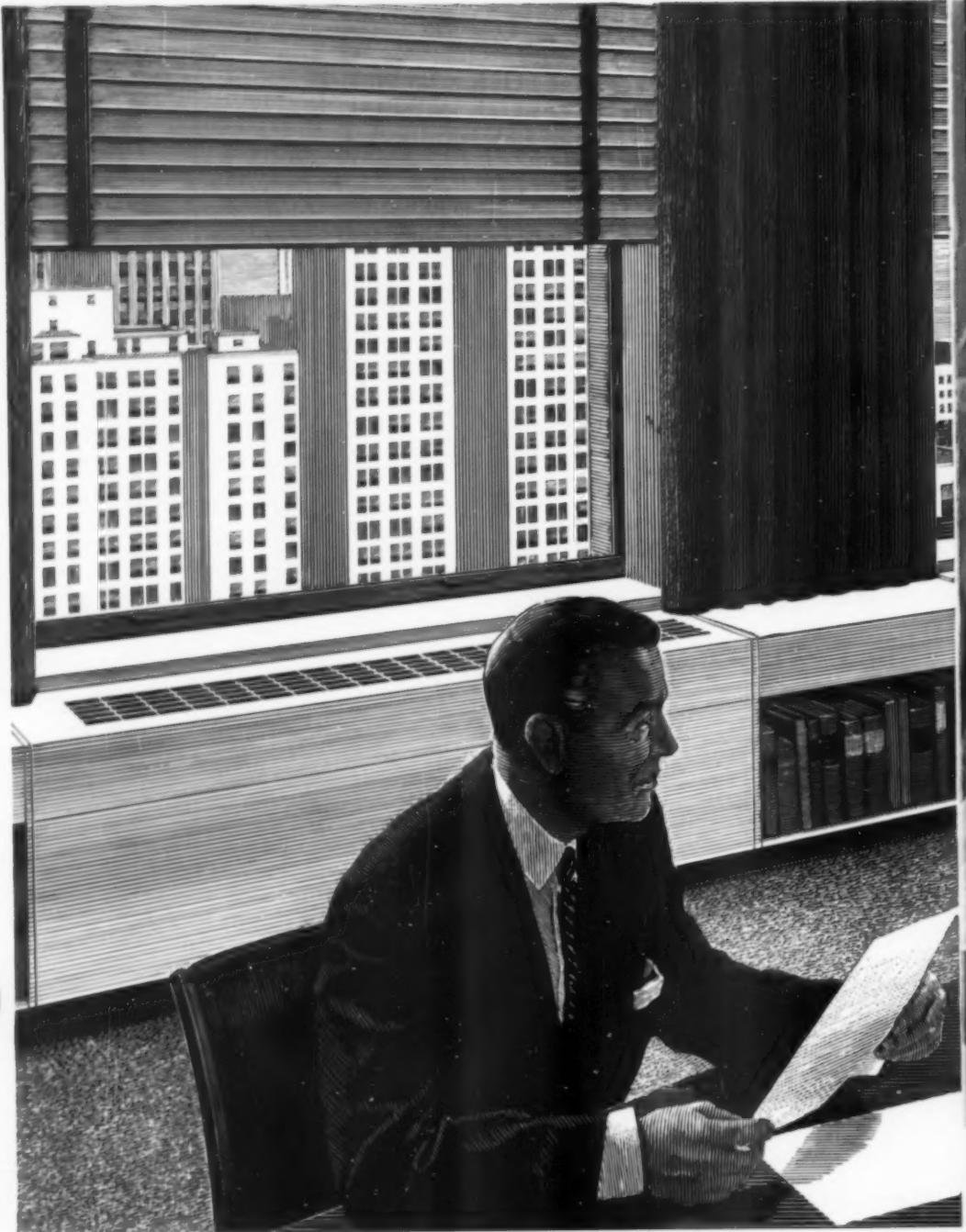
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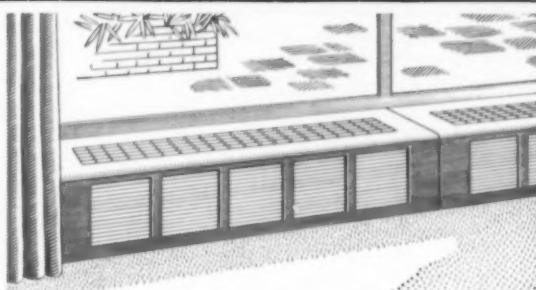
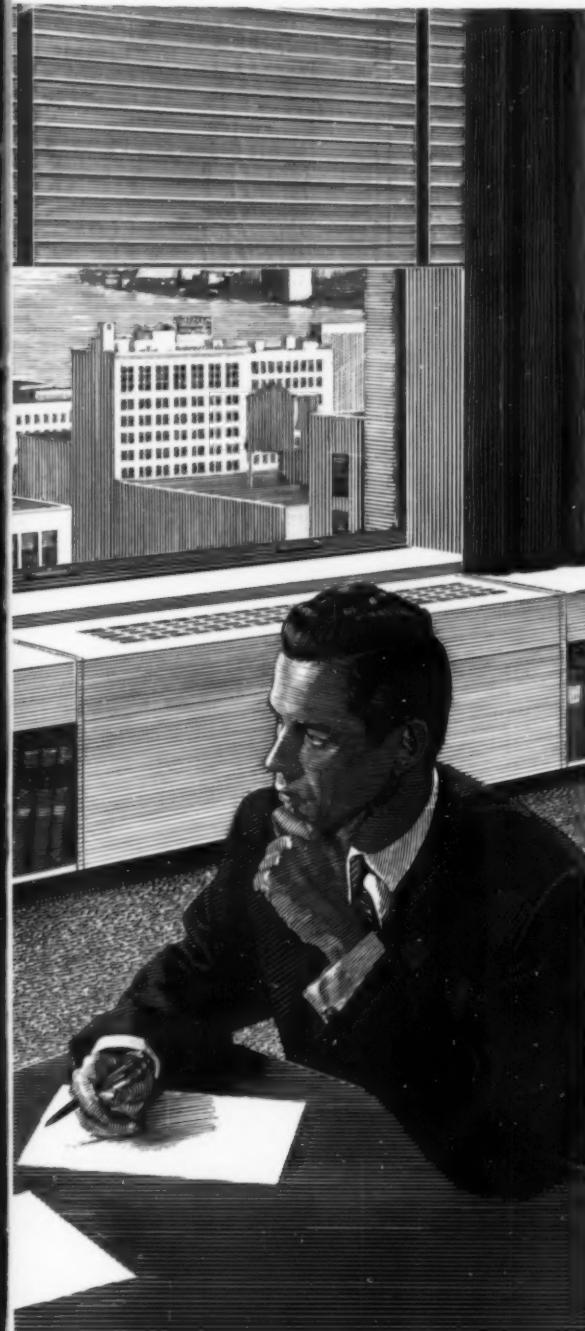
# Carrier again makes news



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# Modular Units give new look to office building air conditioning!

Now the world's finest air conditioning system — the Carrier Weathermaster® System — offers the world's most flexible and adaptable under-the-window units. These new Modular Weathermaster Units are designed on the "building-block" idea. Standard components fit together into a great variety of combinations. They become part of the architecture in *any* multi-story, multi-room building — old or new.

**THEY'RE MODULAR!** Under traditional windows, Carrier Weathermaster Units can hang on the wall, up above the baseboard. Under low windows, they hug the floor — as little as a foot high. Units can be extended from wall to wall, or from column to column by adding filler or bookcase sections — or they may be confined to the wall space right under the windows.

**THEY'RE MODULAR!** The new Weathermaster Units blend like a chameleon. They can look like a decorative ledge . . . or built-in cabinets . . . or modern bookcases. They appear to be part of the room — don't have that "added-later" look. And they are so easy to install!

**THEY'RE MODULAR!** Weathermaster Units can save on duct-work. Fewer vertical risers are needed, because the air supply can be extended through handsome prefabricated enclosures to units in series. Lines can enter the units from the bottom or either side.

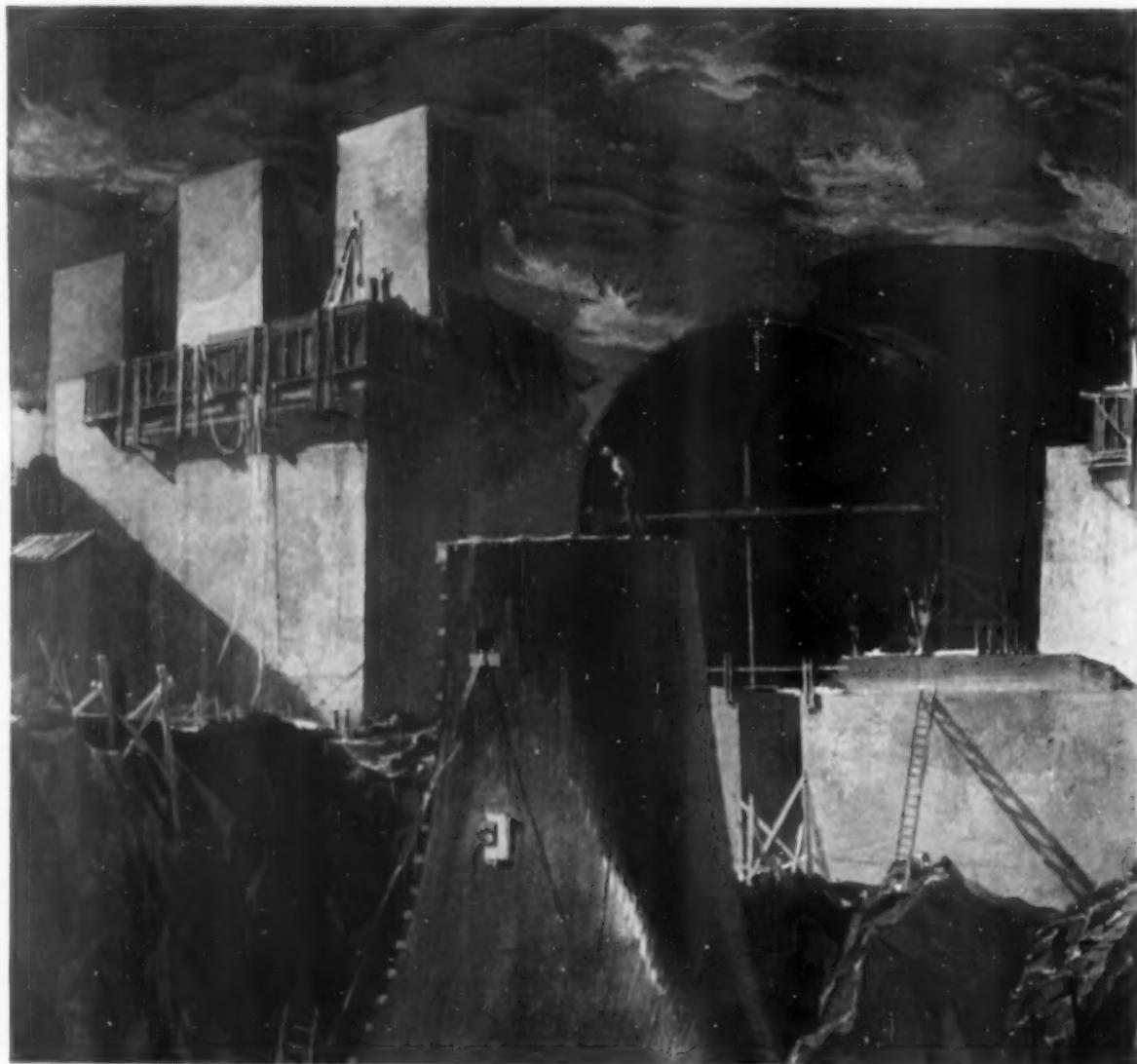
**THEY'RE MODULAR!** And you dial your own climate. A twist of the dial on the unit in each room brings you the exact climate you prefer — quietly, quickly, automatically.

Find out more about the new Carrier Weathermaster Modular Units that give a new look to office building air conditioning. Call the Carrier office listed in your telephone directory or write for Catalog 36N-64 that will help you picture new Modular Weathermaster Units in *your* offices. Carrier Corporation, Syracuse, New York.

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Towering masses of reinforced concrete, a giant steel penstock, and the eccentric forms for a draft tube help Stanley Meltzoff depict the construction of a hydroelectric plant. By damming our mighty rivers, America's power utilities harness energy to provide ever-increasing quantities of dependable, low-cost electric power for home and industry.

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No matter what your project — power plant or chemical plant, industrial building, gas plant or pipeline, steel mill or railroad shop — United Engineers has the skill and creative ability to augment the engineering staff of your own organization.

Our background of more than 70 years' experience is your assurance of getting the maximum return for each construction dollar expended. We invite you to share this experience.

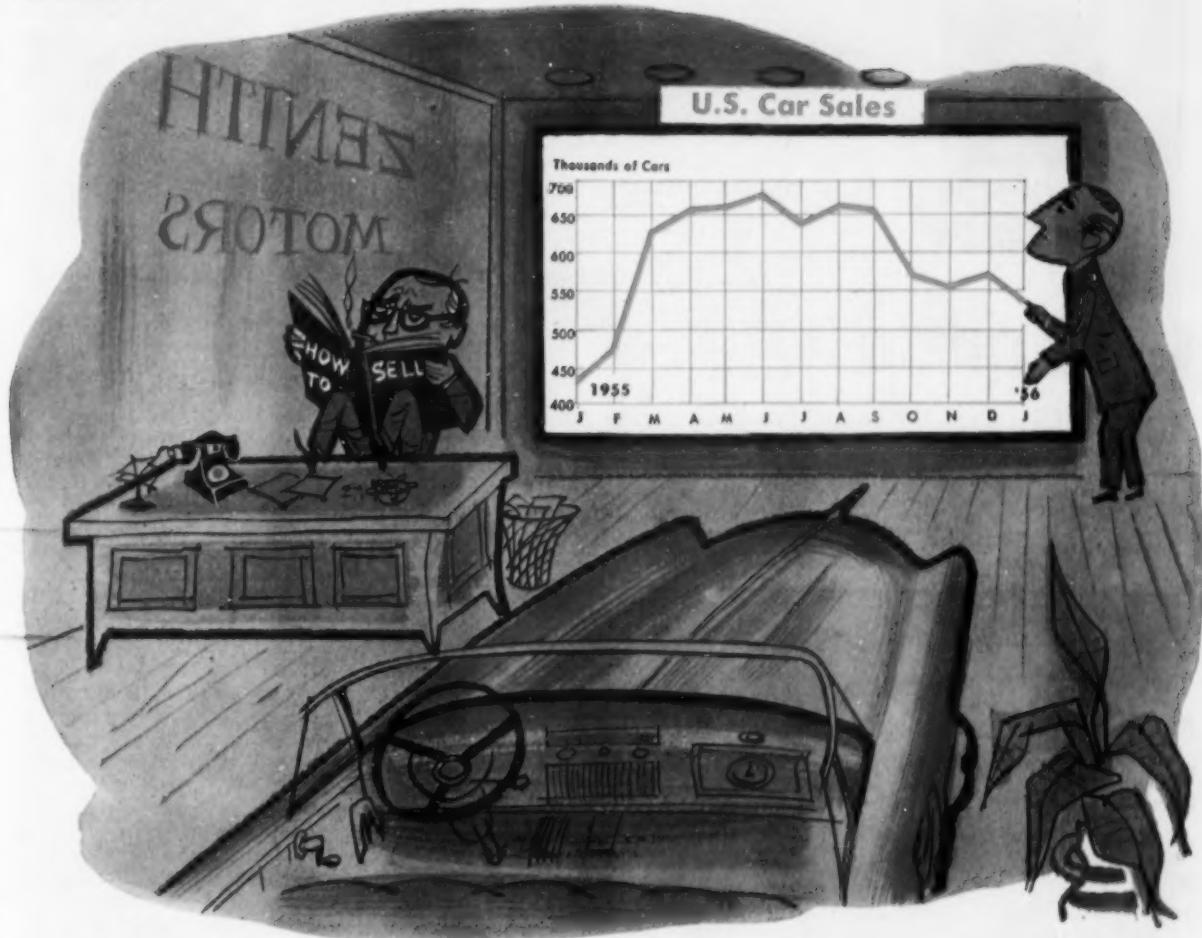
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## Auto Sales: How 1956 Looks

Not many auto showrooms these days are as deserted as the one above, but it's also a fact of life on Auto Row that the customers are no longer hammering on the doors.

This about sums up the January auto market. It's nothing like the 1955 boom at its best. It's more like a new "normal" condition in a year that's likely to be second only to 1955. The market is still growing, but without the phenomenal surge of last year.

Factories overproduced in the ebullience of 1955, and unsold stocks are high. At the turn of the year, dealers' stocks of new cars amounted to about 750,000, compared with 357,000 a year earlier. Inventory will grow a bit during January, but production cutbacks and steady sales should bring stocks under control by late March.

- **1956 Sales Target**—In New York City last week, General Motors Pres. Harlow H. Curtice said: "1956 will be

another big year in the automobile industry—far better than even the most optimistic were able to forecast for 1955. However, I do not foresee any contra-seasonal bulge in demand similar to that which we experienced in the last half of 1955."

Nearly everyone in the business is estimating 1956 sales at about 6.5-million passenger cars. Last year ended up with around 7.2-million sold out of nearly 8-million produced. As Curtice said, no one had been optimistic enough to predict such sums.

If sales drop as expected to 6.5-million cars this year, they would run 11% under 1955 but would still be higher than any other year since the horse. That's basically why the dealers, however copious their tears in public, are surprisingly free from signs of panic.

The external signs are alarming in an industry that buoyed the economy so spectacularly last year. Forecasts of

sales down 11% from last year, inventories more than double those of a year ago, layoff of 17,600 workers by Chrysler divisions in trimming production since before Christmas, newspaper ads screaming "No money down—three years to pay"—all these signs might indicate an ailing business.

### I. Under the Surface

Actually, though, it sounds different when you talk, point by point, with auto dealers and finance men, as *BUSINESS WEEK* reporters did last week. Then you find a situation like this:

**Sales trend.** Since November, auto sales have been drifting downward. But dealers in most cities say sales in early January just about matched the year-earlier volume. The factories say the dealers report an even better situation to them: At the rate deliveries were going in the first 10 days this month, the



# Crompton For Smooth Sailing

If your volume is breezing along with the expanding economy, Crompton Factoring can keep you on an even keel. We can lift the pressure on your capital created by greater production demands and larger receivables outstanding... by cashing your receivables on a continuing basis just as long as you keep shipping.

Thus, you are always in a satisfactory cash position. Thus, you are relieved of the cost of collection and receivable bookkeeping. Thus, in freeing your capital we bring down your overhead, and the saving more than pays the factoring charge.

Write for details.

## *The Human Factor*

**CROMPTON-RICHMOND CO., INC.**  
1071 Avenue of the Americas, New York 18, N. Y.

**Crompton-Richmond-Joel Hurt Co.**  
Glenn Building, Atlanta 1, Georgia

month will close higher than January, 1955.

Dealers tend to agree with factory sales managers that 1955 bloomed after midyear largely because easy credit and an array of all-new models lured many buyers who really weren't ready or able to take a new car. Curtice says the contra-seasonal rise in sales from July through October accounted for an extra 500,000 buyers last year. Now the dealers feel they are back to their hard core of customers.

**Inventory.** Dealer stocks of 357,000 new cars at the start of 1955 contrast with 750,000 cars this Jan. 1, but they were lower than they should have been. Models had been changed in one swoop, and factories had run into trouble in restoring full production.

Admittedly, stocks are higher now than they should be, but few dealers are complaining. Most have cut back their orders to the factories, and the factories have reduced their schedules accordingly.

**Credit.** Despite the tone of the easy-money ads, credit has tightened since last fall—a clear sign that there's no panic in the auto marts. If you follow up the easy-credit ads, you find the terms aren't easy at all. In Philadelphia, for example, an offer of \$75 down and \$7 a week means you pay cash for all optional equipment and for insurance, give a note on your furniture, and get a co-signer.

Many dealers profess to welcome the reins on credit.

True, the marginal buyers are out of the new car market; they got theirs on easy credit last year. Dealers feel, though, that there are enough sound new-car prospects around to make 1956 better than most years.

## II. Back to Basics

The dealers' fundamental worry, of course, is profit. Last year they had to move so many cars that they shaved profit margins to the bone, making it up on volume. Now, still discounting heavily, they wonder how last year's slim margins can support the business on less volume.

"There's nothing wrong with the business," says a Kansas City banker. "A lot of people are still going to make a lot of money out of it. It's just that it's going to take a sense of business management to do it now, instead of seeing who can run the best giveaway program."

Where dealers suffer, the pangs are most painful for the "wheelers and dealers," the big-volume boys who have no further room to cut prices and still stay in business. Conservative dealers last year tried to stick to a gross profit of at least \$200 per car; they have room to cut if they have to.

• **Cross-Section**—January is a tricky month on which to base judgments about auto sales. Variable Christmas bills and weather depress sales spottily. Generally, though, dealers report sales matching or bettering last January in such cities as Richmond, Philadelphia, Buffalo, Houston, Pittsburgh, Boston, Kansas City, and Milwaukee. And a decline is reported from San Francisco, Cleveland, Fort Worth, Hartford, Columbus, Denver, Washington, D. C., and Portland, Ore.

In all these cities, you'll find individual agencies that are doing better or worse than the average. Everywhere, though, you find ecstasy among Studebaker and Nash-Hudson Rambler dealers—they have all-new cars and can't get them fast enough from the factories. This points up the most significant fact about the 1956 auto market: Most of the cars are warmed-over 1955 models.

Still, most dealers seem to feel like a Dodge-Plymouth man in Portland, Ore.: "I think there's business around—it's just hard to find." Says a Lincoln-Mercury dealer in Los Angeles: "Relative to last year, sales will be slow, but relative to any other year in the last 10, they'll be excellent."

## III. Clamps on Credit

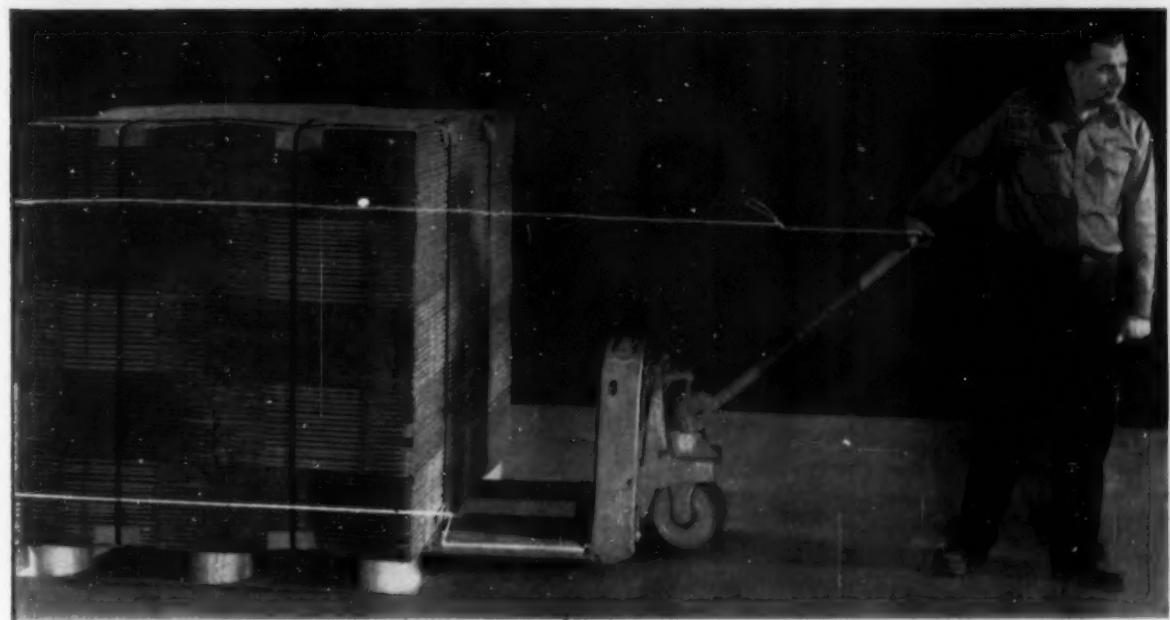
All through 1955, dealers sang the same theme: "We're not selling cars—we're selling terms." Apparently there's not much of that any more, though a Cleveland dealer comments that if he can't arrange on-the-spot financing he loses a sale.

Here's the basic change in credit: Terms aren't noticeably tougher than last fall, but loans take longer to arrange. Lenders are screening more closely. Result: better used car sales.

When a customer shops around for credit, he often finds that his budget will more easily accommodate a used car. "A year ago," says a Kansas City dealer, "a lot of people were buying new cars on easy credit when they should have been buying a good used car. Now the used car market is going up again."

• **Dealer Financing**—There's a small trend toward dealers' financing their own sales. The purpose, though, is to make credit more available, not to loosen terms. By and large, the dealers are as conservative on terms as the finance men.

Listen to a dealer in Houston: "We advertise 42-month terms, which means a 30-month contract, or less, with a balloon note at the end to refinance the balance due. But we don't ever have one of these. The longest is 30 months. When a customer finds out how much the 42-month note costs, he doesn't want it. But we sell him a car anyway." **END**



## You can see the savings!

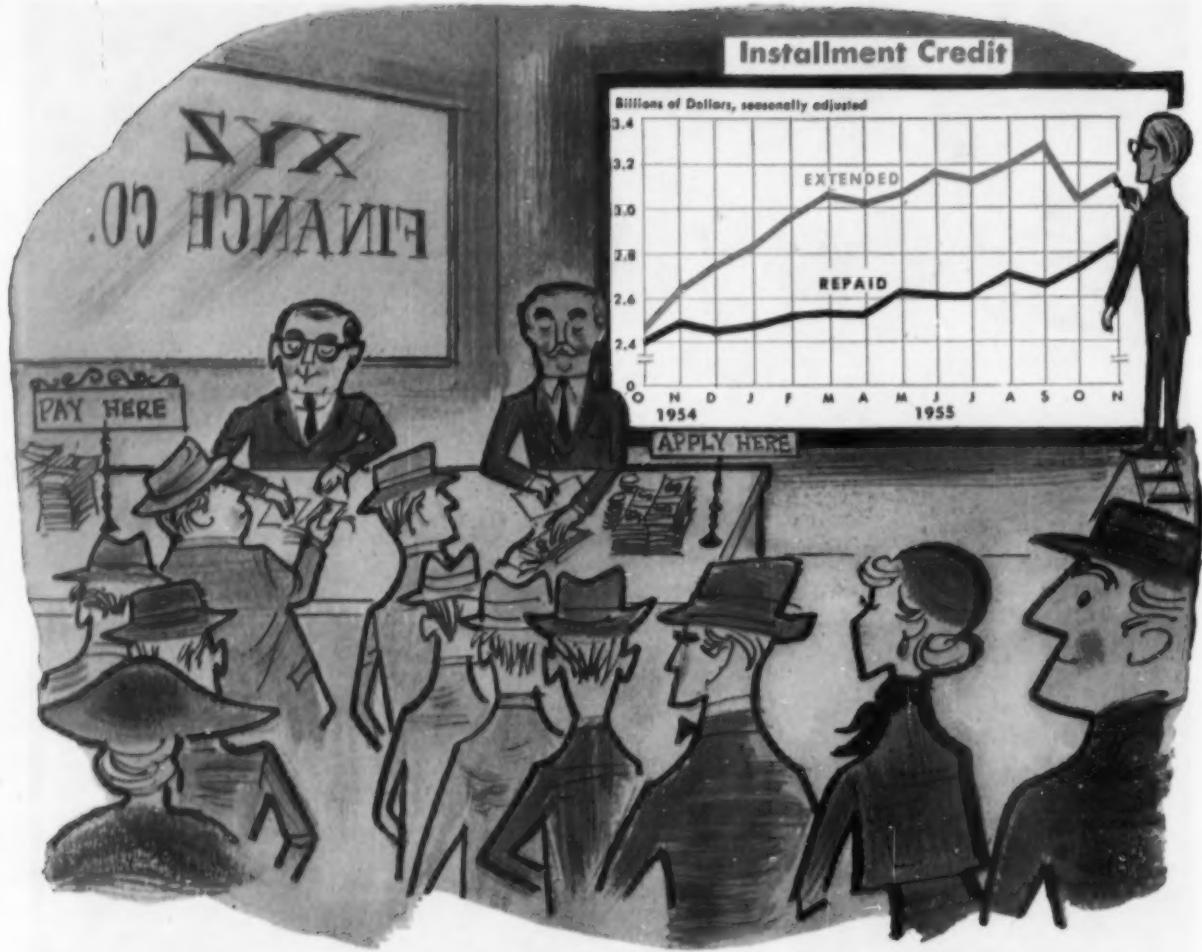
You probably pick things up and set them down at least four times between your receiving dock and your production line—or from production line to shipping dock. The top photo shows how just one of these four handlings looks in the case of small twine-tied bundles of K.D. cartons. The lower photo shows how much you save when you handle such things in steel strapped unit bundles. This is unitizing—one of many Signode ways to make your product cost less to handle, store, ship and receive. A talk with your Signode representative will be time well spent. No obligation. Just write:



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## Credit: Less Stimulus for '56

The two lines in the chart above bear careful watching. Over the past 15 months, new extensions of consumer credit have run well ahead of repayments of consumer debt. The gap between the two has given a lot of impetus to the boom. But now extensions have slowed down while repayments are rising. The big question is whether the gap will disappear in 1956. The year may even see repayments exceeding extensions—which, instead of stimulating, would act as a drag on industry.

This question isn't important merely to the consumer credit industry. The levels of extensions and repayments of consumer credit have a lot to do with over-all business activity. It is crucial to producers of consumer durables, especially producers of autos. And it is of concern to the Federal Reserve Board, which has to consider the probable demand for consumer credit in setting its general policy.

• **Which Way?**—There is as yet no clear-cut sign of which way consumer credit will go in 1956. But most ex-

perts agree that it will not be the powerful stimulus to business that it was in 1955.

Last year, extensions of installment credit—which increase consumer purchasing power—ran ahead of repayments—which reduce purchasing power—by more than \$5-billion.

The big expansion in consumer debt last year not only served as a stimulus to business. It also created a lot of doubt about this year's prospects. The doubt, and the clues to the 1956 picture, emerge in three main areas: (1) quantity of the debt, (2) quality of the debt, and (3) rate of change in both extensions and repayments.

• **Rate of Change**—Most experts fasten on the rate of change as the most significant guide to the effect of consumer credit on the economy. In 1955, extensions ran consistently ahead of repayments.

However, the gap between extensions and repayments narrowed from \$588-million in September to \$264-million in October. The spread in

November was \$282-million, up a little from October, but far below the September gap. Preliminary figures for December show that extensions ran ahead by \$370-million, largely due to the banner Christmas season.

There is no doubt that this January will bring a closing of the gap. That's because of the normal lull in sales and the heavy repayments that follow Christmas. In fact, the high level of extensions in 1955, and the lengthening of terms, insures that repayments will continue rising in 1956. The guess-work comes in gauging the probable level of new extensions.

• **Auto Sales**—Normally, extensions run ahead of repayments through the first half of the year. Spring is the auto selling season, and auto credit accounts for well over 50% of total installment credit.

Sidney Rolfe, chief economist for Commercial Investment Trust, has calculated that if 6.8-million cars are sold this year—a 700,000 drop from 1955 (page 45)—outstanding credit



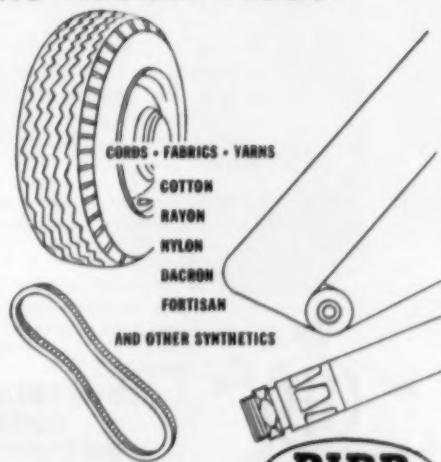
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would still rise 10%. Even a decline of 1-million in auto sales would not mean a drop in outstanding debt.

It is easy to see why. When a customer buys a car on time, the entire amount of his debt goes on the books as an extension of credit. But repayments are on a monthly basis. Thus, one loan extension of \$2,000 for the purchase of a car is added to extensions as a lump sum. It takes a great many monthly repayments of, say, \$80 to put a dent in that figure.

• **Pattern of a Year**—Many authorities believe that consumer credit in 1956 will break away from the seasonal pattern. They see repayments and extensions in equilibrium for the first part of the year, then a modest widening of the gap with extensions rising ahead of repayments in the second half.

Those who see this pattern emerging feel that 1956 model cars will have a mediocre spring selling season. After that, they predict an early introduction of 1957 models will provide the impetus for a new upturn in extensions.

Such a pattern would resemble 1954-55. In 1954, spring car sales were less than seasonal, and repayments of consumer debt surpassed extensions during the first half of the year. Introduction of 1955 models in the fall brought a quick turn-around in sales—and a spurt of extensions over repayments that reached its peak last September.

• **Debt Volume**—But there are a number of differences between current conditions and the 1954 situation. Installment debt is at a much higher level today—\$27.5-billion, compared with \$21.8-billion in January, 1954. Moreover, repayments in January, 1954, were \$2.3-billion, as against an estimated \$2.9-billion for January, 1956.

Although consumer debt has run only slightly ahead of the rise in consumer income, the fact is that both the ratio of repayments to disposable income, at 12%, and the ratio of extensions, at 14%, are all-time highs. Any further rise in extensions would seem to depend on a hike in personal incomes.

• **Quality of Debt**—Even more important than the big rise in the quantity of the debt is the difference in quality. In 1954, standard installment credit contracts called for a 24-month term and between 25% and 33% of the purchase price as a down payment. Last year, average terms were extended to about 30 months, with a considerable number of loans at 36 months or longer.

In addition, down payments were reduced substantially, principally by overvaluing trade-ins. This made it appear that consumers were making down payments of at least 25%, while actual payments were considerably less.

• **Effect on Cars**—This liberalizing of

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terms, which is now stabilized at the 30-month average, increased the number of potential consumers. Lengthening of terms decreased the average monthly payments, while overvaluing of trade-ins permitted marginal consumers to buy new cars.

Auto credit in the first 10 months of 1955 increased by 45% over the same period of 1954, while sales of new autos went up 40%. And 72% of all new automobiles were sold on credit in the third quarter of 1955, compared with 70% in 1954 and 59% in 1953.

Some auto men acknowledge that a rising level of consumer credit is needed to keep car sales high. The blast that GM's Harlow Curtice leveled at the Federal Reserve for its restrictive credit policy was a sign that Detroit is worried about its sales this year (BW-Jan.21/56,p32). But many experts question whether an easing in general credit controls would mean an increase in installment buying of cars.

That's because consumer credit is affected more by the business cycle than by credit controls. In 1955, terms on installment buying were progressively loosened despite the Fed's tightening of over-all credit. The increased demand for consumer credit arose because production and incomes were high. And the rising level of credit extensions served to keep income and production booming.

• **Hard to Repeat**—It is doubtful that another fillip in auto sales could be achieved without another big loosening in terms. Such a move would go against the grain of the Federal Reserve. Allan Sproul, the president of the New York Fed and one of the most powerful men in the System, actually wants Regulation W reinstated on a permanent basis (BW-Jan.7/56,p101) to control down payment and loan terms. Although this action is not probable, the Fed will resist any move to make terms easier than they are.

Some consumer credit authorities believe that consumers will voluntarily curtail purchases and liquidate their debt when it appears to be getting out of hand. T. V. Houser, chairman of Sears, Roebuck & Co., feels that such a voluntary correction may be in the making in 1956. He points out that when extensions exceed the rate of repayments by from 2% to 2½% of disposable income, a correction occurs. The figures bear him out somewhat, for the ratio that hit 2.4% in September is now down to 1.4%.

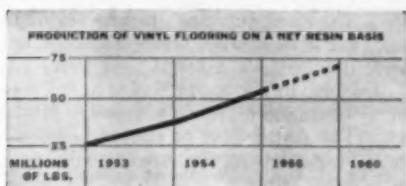
This type of correction may be in the cards for the first half of 1956. A great many consumer durables, including autos, will be bought through debt extensions. But extensions are unlikely to rise fast enough to give the economy—or the consumer hardgoods industry—a new upward boost. **END**

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# Hollywood Finally Sells to TV

● Feature films are coming out of Hollywood's vaults now by the hundreds, led by Matthew Fox's offer of the huge RKO film library.

● It's a break for TV station operators, but indications are that it will cost them plenty.

● If the deals work, though, other film companies will cash in on TV's appetite for movies.

When Matthew Fox, president of C&C Television Corp., grabbed up the entire RKO film library of 740 feature pictures and 1,000 shorts for showing on TV (BW-Dec. 31 '55, p46), observers regarded it as the blow-up of the already shaky logjam that blocks feature films on TV.

Speculation immediately centered around Fox's plans for the library, the largest single package of feature films released by a movie company. One thing was sure. Fox's reputation in the entertainment industry as a canny and unorthodox businessman meant that his methods would be big, shrewd, and carried out with a flourish. Last week, when Fox unfolded his plans, this assumption scored a bull's-eye.

● **Package Sale**—Departing from time-honored practice in several important respects, Fox revealed that, rather than break up the package, he will sell all 740 features as a unit to individual TV stations, one package to each market. This decision again shoves the library into the "biggest" category. It's the largest single feature film offer, both in number and in money involved, ever dangled before station owners.

Furthermore, Fox has decided to sell his rights to the films in perpetuity, rather than follow the usual method of leasing the films for a specified number of showings. This violates the movie industry's sacred precept about always holding onto the rights to its product. ● **Coming to Mahomet**—Rather than try to mount a sales force to tour the country explaining his ideas, Fox has invited a group of stations to send representatives to Atlantic City at his expense to negotiate. When these have come and gone, he will summon other groups. Fox is ready to sell. The question asked throughout the TV-film business these days is: Are the stations ready to buy?

● **Breaking the Ice**—Feature films have accounted for an increasing share of TV viewing hours over the past few

years, but film and TV people are just beginning to realize the possibilities. In the month following RKO's sale of its library to Fox, Columbia Pictures has decided to lease 104 features from its backlog through its TV film subsidiary, Screen Gems, Inc., and Republic Pictures to turn over a block of 74 features to its subsidiary Hollywood Television Service.

These releases suggest that for the film companies the question is no longer whether to release films to TV but how to do it at the greatest profit. Objection from exhibitors has died down, and the price obtainable for features is improving.

● **Wait and See**—The other major companies are watching what Columbia and Republic are doing. If those ventures pan out profitably, the other companies will also find ways of making their backlogs available to TV.

Meanwhile, the film companies fear that Fox may wreck prices by his sudden unloading of the tremendous RKO backlog, and they resent his unconventional method of selling his rights to the films rather than leasing them. Fox answers that, by stimulating the use of features, he will enlarge the market.

● **Prospects**—Fox believes that sound business reasoning will lead stations to snap up his package. Above all, the prospect of having their own library of 740 features permanently on hand, he feels, will whet stations' appetites for the sale.

He has analyzed the feature situation. In early days of TV, stations could not utilize feature films effectively because they couldn't get enough of them. The movie companies' practice of exhuming from their vaults only the most ancient product made the TV-movie a joke among viewers. Stations had to program features at poor playing times and sell ads on a catch-as-catch-can basis.

Gradually, the movie companies relaxed their grip, and the success of reg-

ularly scheduled programs, such as New York's Late Show and Million Dollar Movie, helped convince station owners that feature films were popular enough to justify more and better playing time. Fox feels that having plenty of features on hand will permit more stations to sell ads for them on a long-term basis.

● **Advertising Support**—As vehicles for local advertisers, Fox says, feature films are unbeatable. He plans to help the stations who buy his package to utilize their purchase. For one thing, this summer he will embark on a national advertising campaign to tell the public that they can see these new films on TV. The campaign called "Movietime USA," will be built around the theme, "See a Movie Tonight at Home."

Fox isn't giving any hints of his asking price for the package, except that it will be a substantial sum and will vary with the market. He is arranging for the stations to pay partly in advertising time for which he will supply a national advertiser.

Rumors are circulating. It is reported that Fox has closed a deal with a Denver station to take the package for \$600,000, payable in money and time over a five-year period.

● **Sales Resistance**—Station resistance to Fox's offer will fall under three closely related headings: Money, quantity, and quality.

So great an investment in so many features might take 10 years to realize. With more and higher-quality features on the horizon, stations may elect to wait for them and continue leasing in the usual way.

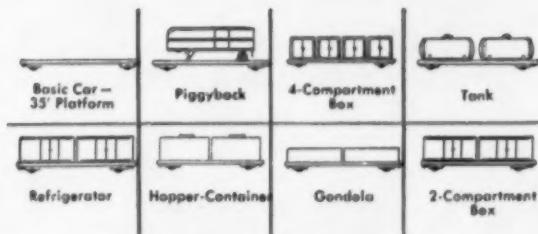
Then, too, there is the impression that many of the 740 films in Fox's package are elderly specimens of the same poor quality that most stations want to retire.

● **Dim View**—Two groups are viewing Fox's sale with the greatest misgivings. The long-suffering theater exhibitors see it as another tribulation they must suffer at TV's hands, and Fox's campaign to encourage stay-at-home movie viewing as a particularly gratuitous slap. The distributors of feature films think he is glutting the market with an inferior product.

Although one such distributor said that Fox "hasn't the ghost of a chance" to carry out this deal, none of them is underestimating his acumen. His desire to sell his rights and get out means to them that he will unload his films at whatever price he can. They see increased competition and possibly lowered prices for other films. **END**



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## From Toys to Hobbies: Way to Men's Hearts

Tiny models of aircraft, cars, ships, and guns that the consumer puts together have changed Revell's business from the ups and downs of the toy trade to a steady, year-around hobby business. Lewis Glaser, president, above and right, thinks it is because his small replicas appeal to all ages—adults as well as youngsters.

THE PROUD LOOK on the airplane builder above is partly the pride of a manufacturer in his product. But Lewis H. Glaser, president of Revell, Inc., of Venice, Calif., believes that any man who had just put the tiny model together would feel the same glow. The pride of achievement, Glaser feels, is one reason why his switch from toys to hobby kits has jumped his business from just over \$1-million in 1951 to \$7.4-million in 1955. In 1951, almost \$1-million came from toys; by last year, \$7.3-million came from hobby kits.

Webster defines a hobby this way: "A subject or plan to which one is constantly reverting in discourse, thought, or effort." It defines a toy as "a plaything; something that is merely amusing or diverting . . . an article . . . designed and made for the amusement of a child or for use in play."

It is true that toys have had a phenomenal growth in recent years, but you can't get around the fact that it's a



**The bomber parts are all here. It just takes time and patience**



**Putting some of the tiny parts together is sort of tricky . . .**



**But when it's finished, it's just like the real Boeing B-52**

seasonal business, and even then it's limited to a small age group.

• **Switch to Hobbies**—Glaser has every reason to know the risks of the toy business. In 1945, he set out on a venture to manufacture plastic toys—after a wartime stint making precision plastic parts. For the next five years, it was touch and go. Plastics were often not all they were said to be, as other toy manufacturers learned. It was hard to find an item with lasting appeal. Then, in 1950, Glaser got the idea of making an exact replica of the ancient Maxwell car, publicized by Jack Benny. Next step was to offer it, not as a made-up unit, but knocked down so that the buyer could assemble it himself. In 1951, the first line of Revell hobby kits came on the market. The miniature Maxwell went over with such a bang that in 1952 Glaser added a whole collection of early American cars—and his business skyrocketed.

When the old cars started to wane,

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Revell brought out airplanes, ships, old-time western vehicles (stage coaches, and the like). Last year for the first time it brought out authentic models of 1955 cars.

In switching to hobbies—and finding a way to merchandise them successfully—Glaser has accomplished several things for himself and the retailer. He has extended the market by many months. And he has extended its age group by many years.

#### **I. Why They Buy**

Glaser himself is not dead sure why his miniatures have sold so well. He says that adults represent 50% of the buyers of his products, and he is pretty sure that most adults who buy put the models together themselves. He has an insatiable thirst to know why he sold 15-million kits last year.

One reason, he believes, is that when they have constructed the replica, they have something to be proud of. Revell prides itself on the meticulous authenticity of its reproductions. For its ships, it goes to the armed services for blueprints, specifications, photographs. For the aircraft, it goes to the design engineers of the big plane makers. When it brought out the 1955 car models, to get them on the market at about the time the real thing was coming out Revell had to sign security pledges like any other subcontractor.

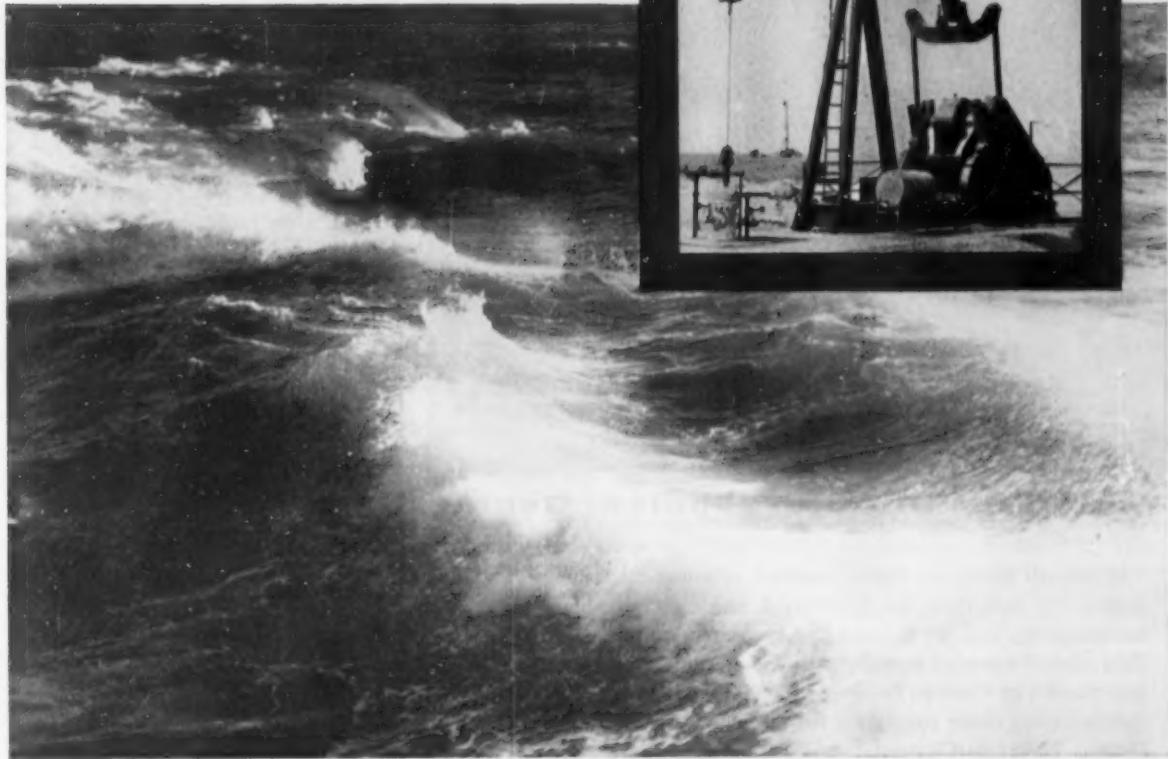
An unhappy experience early in the game convinced Glaser that authenticity is the key. In 1952 he had a toy, a hot rod car. He decided this could sell as a hobby kit. The wholesalers bought it. But the hobbyist didn't. As a toy, it didn't have the authenticity Revell puts into the kits; it was simply constructed, and only roughly a facsimile of the real thing.

• **Challenge**—Glaser believes he has nicely solved another problem of the hobby manufacturer: to get a product that is hard enough but not too hard. There had been hobby kits before Revell came along. But the old balsa wood airplane kits required a high degree of cutting skill—and would-be model builders were often discouraged. On the other hand, snap-together kits offer no challenge at all.

The average person, Glaser says, can put together a Revell kit in about 20 min. or half an hour. To broaden the age market, there is a range of difficulty in the line. Some models take 15 min.; the toughest ones take two hours—and if you add paint, as many people do, even longer. The product is strictly a display piece.

Glaser doesn't like to apply the phrase "do-it-yourself" to his line. It suggests lonely work, he thinks. Furthermore, do-it-yourself is basically an economic concept, and there's no ques-

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tion of economics in the Revell kits (they sell from 79¢ to \$2.49 at retail). He prefers to sell on the theme, do it together. Small boys may be captivated; but they are quite likely to get dad interested too, he says. Yet it seems likely that the kits do capitalize on the do-it-yourself development of the home craftsman. Mothers apparently approve. Revell has had over 60,000 requests for its booklet, *Do It Together*, prepared for women's clubs.

• **Year-Round Market**—For the retailer as well as for the manufacturer, the hobby kits have some powerful assets. The toy store and toy department like them because they sell pretty nearly the whole year round. Revell ships about 40% of its annual volume in the first six months, which are normally dead for the toy business generally.

There is a seasonal pattern to some extent. At retail, sales start sliding in April, when people turn to outdoor activities. They hit a low during June, July, August, then perk up again after school starts. October is the peak shipment month for Revell, but every month is at least 50% as good as October, Glaser says. For the manufacturer, this means full employment all year.

• **For All Ages**—Retailers also like the fact that the hobby kits appeal to teenagers and adults as well as the small fry. Glaser thinks adults are his biggest market, but the next best age group is 7-to-15. Popularity of certain items varies with the age of the customer. The 7-to-15 group is strong for airplane models. Adults go for old cars, naval ships, guns.

The kits seem to have another true hobby element that creates sales. Once a customer is hooked, he comes back for more. Smart retailers mail cards to let customers know when the next model is on the market.

## II. Merchandising

Glaser gives credit to the kits themselves for their part in building up his business. But to sell them, he had to forge his way through new distribution channels for the hobby manufacturer. He was one of the first hobby makers to tap mass market outlets, he believes.

When the Revell kits first came out, builders of hobby kits sold to hobby jobbers, who sold to hobby stores. So Glaser followed this pattern. He had the toy distribution because he was already in the toy business. But he didn't try to sell his kits that way.

• **New Outlets**—For an inexpensive item like the Revell kit, though, the hobby outlets didn't work. The hobby business is small; there are perhaps 5,000 hobby stores in the U.S., says Glaser. Most hobby sellers aren't merchandisers, and they don't have the big traffic locations.

So, in August, 1951, Glaser tackled Woolworth. He had a battle to get in, but finally made the grade. From then on, it was clear sailing. Later, he went back to his toy distributors with his kits. Today he has 700 distributors and at least 35,000 retail outlets displaying his line. They include stationery stores, tobacco stores, drugstores, as well as the major variety stores, toy stores, and toy departments.

Advertising has not been a major factor in Revell's growth. But it does put on special promotions, for Father's Day, for example, when sales normally slacken. At Christmas, his gift boxes, selling from \$2.98 to \$6.95, hit a peak.

### III. New Customers

In 1954, a brand-new market turned up: the premium market. Pacific Coast Borax Co. bought the idea of offering as a premium a replica of its venerable trade mark, the Twenty Mule Team. Revell reproduced the trade mark exactly; Pacific displayed it and sold it as a hobby kit in supermarkets. Kellogg Co. bought full-scale replicas of antique guns to use as premiums in connection with its cereal sales.

The Navy has been an enthusiastic booster of the Revell minatures. Last June it sponsored a contest, with a prize for the best paper on Why My Dad Is the Best Navy Man in the World. It used Revell minatures to promote the contest—and it uses them at recruiting stations. Glaser tells proudly of a Navy promotion, in the course of which recruiting officers received Navy memoranda concerning "Operation Revell." The Air Force has had similar promotions.

(The Navy's enthusiasm, incidentally, seems to go beyond any promotional interest. Says Vice-Admiral Harold M. Martin, 75% of the cadets at the U.S. Naval Academy are model makers.)

**Promotion Pieces**—There was a time when Glaser worried about where new ideas would come from. He has quit worrying. Manufacturers are beginning to see a promotional use in the tiny models. Several plane manufacturers have asked Revell to include their planes in his line. Thus an airport set features an American Airlines DC-7 transport; another has a United Air Lines DC-7 and a Texaco gas truck. This year, the whole space ship field is wide open; a guided missile is one of the first new 1956 items.

Meantime, a likely market is opening up overseas. The catch is that tariffs hurt sales. Glaser has been trying to line up plants to put out the minitures abroad.

Even with the tariff handicap, though, Glaser has found a market in many European countries, even as far afield as Singapore.

## Dealers Find a New Enemy

**In a rush to reality, they have kind words for discounters. But now they're turning their bitterness against big retailers.**

In Chicago last week, the nation's appliance dealers came face to face with the changes that have been forced on their trade through the mass-distribution of appliances. Members attending the annual convention of the National Appliance & Radio-TV Dealers Assn.: **Found discounters there as NARDA members for the first time;**

**Heard that the real struggle in the trade is not between discounters and "legitimate" dealers, but rather between big and small retailers;**

**Listened to tough talk** from a small dealer who said that small dealers will have to "get bigger, get out, or specialize."

**Praise for Discounters**—The new note of realism in the trade was put most forcibly by Harry G. Price, outgoing president of the organization. Price, head of Price's, Inc., a five-store, big-volume operation in the Norfolk (Va.) area, said in a press interview:

"Mr. Polk and Mr. Masters have rendered this industry a tremendous service. They've awakened the good dealers—and the others weren't going to last long, anyway." (He was referring to Polk Bros., Chicago, and Masters, Inc., New York, generally regarded as the largest discount houses in the country.)

"The discount house," said Price, "came into being as a counter-balance to distorted retail margins. These margins weren't distorted until we came into volume retailing. The discount house was a natural development, and when you hear a dealer talking about his 'rights' he's on his way out—because he hasn't any rights."

Polk, Masters, and Sears, Roebuck will continue to give consumers the most for their money, Price feels, because they'll continue to get goods for less. "Everyone, including myself, talks about Sol Polk, but you can't talk about the appliance retail picture without bringing in Sears. Polk is regional, but Sears is the leader everywhere."

This kind of thinking has changed NARDA's attitude toward discounters. During the past year the organization finally came to grips with the fact that the difference between the discounter and the "legitimate" dealer has vanished almost entirely. Both give discounts. As far as overhead, advertising budgets, service, trade-in allowances, and consumer recognition are concerned, both are on a pretty equal footing now. Hence the appearance of discounters as NARDA members this year. Hence also, the appearance of Sol Polk's name on the program—though Polk, due to

a change in his own plans, failed to show.

**• A New Enemy**—What bitterness the NARDA members displayed toward fellow dealers was directed against big retailers, not against their new allies the discounters. And it was the bigger operators' alleged buying advantage that caused the chief ruckus at the Chicago meeting.

The so-called builder's discount offered by manufacturers came in for the sharpest criticism. Generally, a builder who puts up 12 or so houses a year can qualify for this discount. This, say the smaller retailers, means that such a builder can buy at a lower price than can either the retailer or the distributor. NARDA members were particularly bitter about some manufacturers who, they say, let big-volume retailers pass themselves off as builders.

They also complained about the way big dealers by-pass distributors and deal directly with manufacturers. At Chicago, the dealers showed a lively interest in a recent court case brought by nine Chicago retailers against several major manufacturers, their distributors, and Polk Bros. and Rossi Bros. (BW-Dec. 10'55, p64). The retailers charge price discrimination in favor of these two Chicago discounters, granting of exclusive promotion and advertising allowances, and special deals on demonstrators and salesmen.

**• Special Touches**—Such advantages, many dealers say, would sound a death knell for any retailer lacking capital for expansion. George Pazik, of Pazik Appliances, Milwaukee, took the line that the answer for the small fellow is to strike out in new directions. Pazik himself is trying to do that by specializing in package kitchens to the point where he will be "a contractor with an appliance sideline."

Pazik has a kind word for General Electric's recent price cuts on small appliances (BW-Dec. 31'55, p21). Reflecting other dealers' feeling, he said: "A list price must equal what the consumer will pay, and GE has come a lot closer to reality."

But there were harsh words for some dealers who were branded by the convention with the name "negotiators." To the convention, a "negotiator" is a dealer who "sells the same item to four customers in a row for four different prices." Of such operators, NARDA's outgoing Pres. Price says: "If we're going to run bazaars instead of retail stores we would put on a fez before we open our shops." **END**

**FENCE**

# In Marketing

## Safeway Drops the Last of Its Coupons In the Big Trading Stamp Battle

Safeway Stores, Inc., has abandoned its experiment with Cash-saver Coupons. The last division of Safeway still issuing the stamps has just dropped them in the New Mexico-Texas area.

The big food chain is close-mouthed about its action. It will only say that the coupons were an "unnecessary addition to food costs" and weren't "in the real interests of consumers."

Safeway began using the stamps last spring in Oklahoma as a retaliatory move against trading-stamp competition from other merchants (BW-Apr. 2 '55, p56). The chain had first tried straight price-cutting, but was restrained by the courts under the state's unfair trade act. After issuing its own Cashsaver Coupons in Oklahoma, Safeway later tried them in other areas where the trading-stamp battle waxed particularly hot.

There was a difference, however, between the ordinary variety of trading stamps and Safeway's. The Cashsaver stamps could be redeemed both for merchandise—the usual practice—or for cash at the rate of 1½¢ apiece.

Trade observers interpret Safeway's latest action as indicating that the chain's new top brass are backing away from the "get tough" policy of the old administration under Lingan A. Warren.

## Revlon Lipsticks Paint a Gaudy Report.

### But Hazel Bishop Finds Consolation

In the battle of the lipsticks, Revlon, Inc., appears to be giving Hazel Bishop, Inc., a bad time.

Revlon turned in an impressive report to stockholders this week. Net sales last year rose no less than 54%. This upped the figure from \$33.6-million in 1954 to \$51.6-million in 1955. Net earnings (subject to year-end audit) approximated \$3.5-million—better than double Revlon's net profit figure of \$1.2-million the year before.

Hazel Bishop, on the other hand, reported last week that for the year ending Oct. 31, 1955, sales had slipped—\$11.4-million versus \$12.1-million for the year previous. And there was a loss of \$460,177 as against a \$1-million net profit the year before.

On the face of it, Revlon with its enormously successful \$64,000 Question television show would seem to be clobbering the competition. This however, is denied by Raymond Spector, board chairman of Hazel Bishop.

He points to his company's record in the quarter ending Oct. 31, after \$64,000 Question "unexpectedly captured the imagination of the public." In that quarter, Hazel Bishop sales were \$4-million as against \$3.4-million in the same 1954 quarter. Profits of \$503,826 also exceeded the 1954 quarter. It was the best quarter in Hazel Bishop's history, says Spector.

Here are the reasons the company gives for its showing:

Through the earlier part of the year, it was ploughing money back into the development of manufacturing facilities at home (New Jersey and California) and abroad (Canada and Mexico) and into the development of foreign markets.

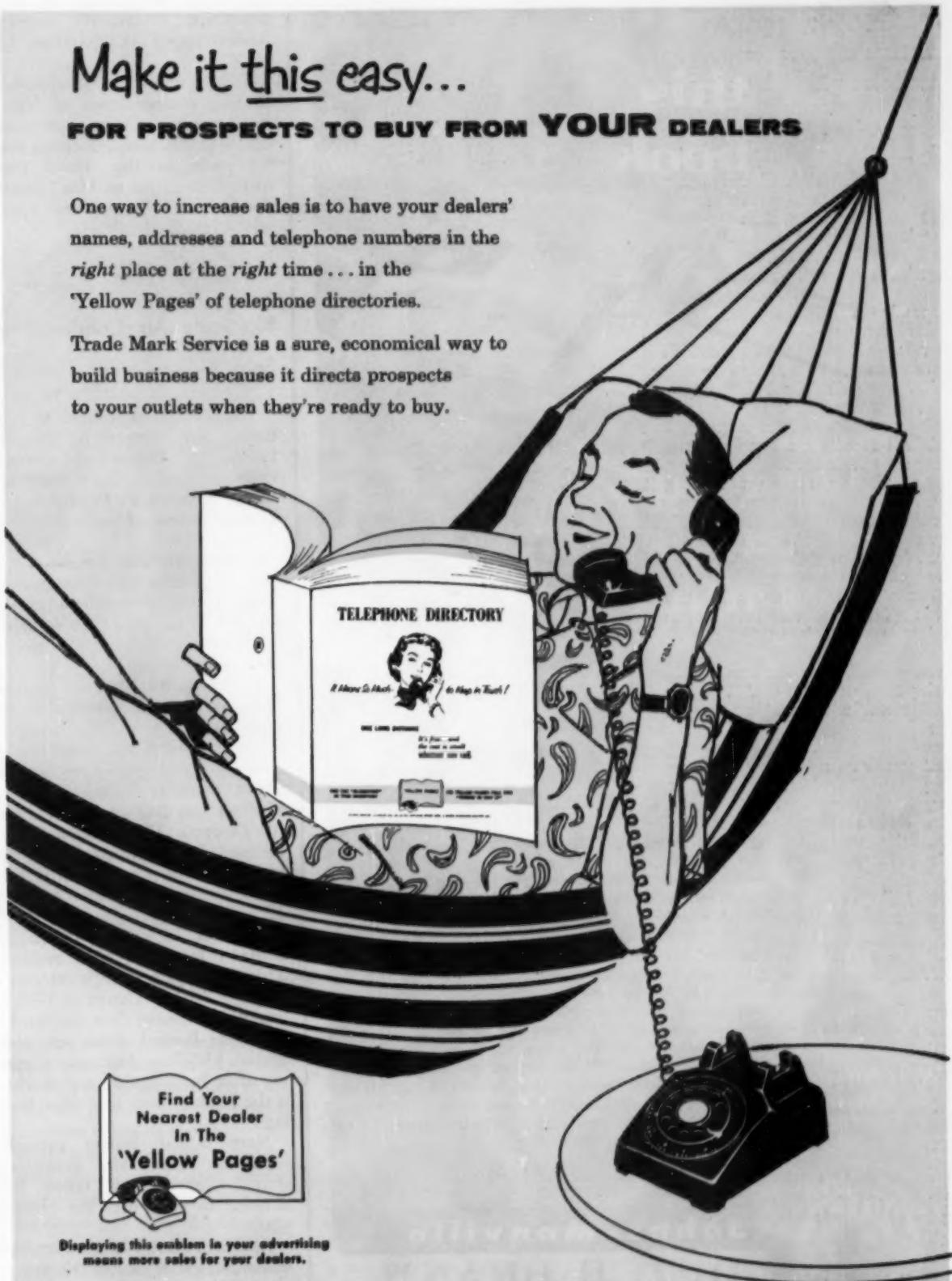
Sales were down because its expansion diverted money from

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advertising. (Meanwhile, competitor Revlon upped its advertising budgets.)

Spector also took the opportunity to take another crack at National Broadcasting Co.'s Spectaculars, which he has been criticizing openly for some months. Hazel Bishop spent \$1.6-million on Max Liebman's shows, which Spector says "proved very unproductive."

• • •

## Big-Scale Air Conditioning Sees Billion-Dollar Future

The production of major air conditioning and refrigerating units will become a billion-dollar industry within a decade. This is the prediction of Charles V. Fenn, vice-president of Carrier Corp.'s Machinery & System Div.

Over-all industry volume for the large equipment (100 tons or more) came to about \$550-million this year, says Fenn. He puts 1956 volume at \$600-million, 1960 at \$850-million, 1965 at \$1.3-billion.

Biggest potential over the long haul, says Fenn, is industrial air conditioning. He thinks that saturation of the market in this area is "probably less than 1%." Fenn sees the market booming as the result of case histories like that of Sylvania Electric Products. The company air conditioned its Huntington (W. Va.) plant, cut the summer turnover of employees from a high of 4% to 1.2%.

However, at present the biggest market is in existing office buildings. This was the largest single category of orders booked by Carrier in 1955, accounting for more than one-third of all orders booked. Fenn sees a potential \$3-billion business in existing office buildings, on top of which is the business from new office buildings.

Next biggest market currently: shopping centers and department stores. Carrier's new orders here doubled in 1955 over the previous year.

Also high on the list are apartment houses, hospitals (half of them have air conditioning in some form already, says Fenn), and hotels (they have an estimated potential of \$500-million).



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Safety in the steel plant means families happily reunited when the day's work is over. It means holidays enjoyed together, and peace of mind for those at home while Dad is on the job.

Along with today's high wages, insurance, pensions, and other benefits, progress in steel plant safety is contributing enormously to the security of the steel worker's family.

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During a recent 12-month period the 20,000 employees of the Bethlehem Steel plant at Bethlehem, Pa., had only 17 disabling injuries. This record won first place in safety for the Bethlehem Plant among all large steel plants in the country.

With such a low accident rate, the employee's chance of being injured during a normal, 8-hour working day is only about 1 in 237,000.

The steel industry has made such progress in safety that today a large steel plant is among the safest places where a man can spend his time.

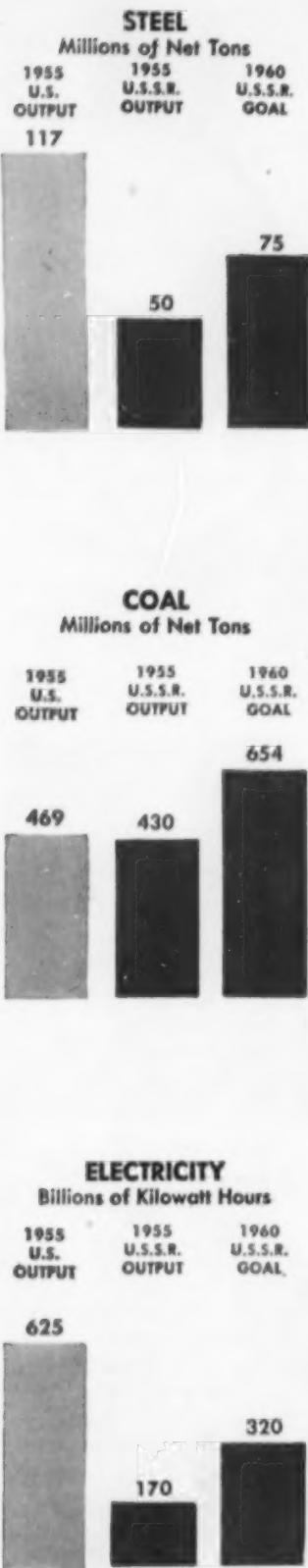
During the same 12-month period in which the employees of our Bethlehem Plant had only 17 disabling injuries while at work in the plant, they had 196 such injuries while off the job, most of them incurred on the highway or around the home.

# BETHLEHEM STEEL



## BUSINESS ABROAD

# A Five-Year Ride



**Russia's Sixth Five-Year Plan bears the stamp of Communist party boss Khrushchev, but like those that Stalin's minions designed it puts all stress on heavy industrial expansion. Plan aims to narrow gap between Russian and U.S. industrial power. Ultimate goal is to surpass the U.S.**

With its new Five-Year Plan, the Soviet Union is shooting for stupendous new industrial goals. It aims to drive its heavy industry within reach of the U.S.'s capacity by 1960.

But there is nothing new about the basic principles behind the Sixth Five-Year Plan. They are right out of Stalin's book. An analysis of the new plan shows this very clearly.

- Malenkov's economic "new look," with its emphasis on consumer goods, has been buried. Heavy industry, including war plants, has as high a priority as ever.

- The average Russian can't expect any improvement in his living standard, except a few more square feet of housing space. Soviet food output, under present plans for agriculture, will hardly keep up with population growth.

- The big new element in the 1956-60 plan is the stress on technological advances—automation, electrification, and scientific management. Higher production is to come largely out of higher productivity.

### I. Khrushchev's Stamp

The new Five-Year Plan is a clear-cut victory for the economic views of party boss Nikita Khrushchev. Little trace of ousted Premier Malenkov's economic approach is left in the plan.

Malenkov didn't try to upset the basic principle of Communist economic planning—the drive to develop heavy industry. But in 1953 he did try to readjust the balance to give light industry, and the Soviet consumer, a slight break.

- **Revealing Figures**—When Malenkov fell from power, the emphasis shifted back. Before long it was all on heavy industry again. The budget figures for the last three years tell the story:

In 1954, heavy industry got budgetary appropriations totaling 133.2-billion rubles. In 1955 it got 163.6-billion rubles. For 1956, the figure is 158.7-billion, but in real terms this amounts to about 15% more than the 1955 appropriation due to a cut in wholesale prices.

Light industry got 36.6-billion rubles

in 1954. In 1955, it skidded to 27.9-billion and for 1956 it has dropped again to 26-billion.

In the 1956 budget, heavy industry gets 60% of the investment funds. The rest is shared almost equally by transport, agriculture, and light industry and food processing. A look at either this budget or the Five-Year Plan indicates that only between 25% and 28% of industrial production is to be left for the consumer.

The evidence isn't conclusive, but it does seem that some of the heavy industry targets for 1960 have been boosted since last summer. This could be another indication of Khrushchev's growing influence.

- **Steel**—In July, Premier Bulganin still was talking of 60-million metric tons of steel by 1960—a goal Stalin had set back in 1946. But in the published plan, the steel target is 68.3-million metric tons (75-million net tons)—almost as much as Western Europe, including Britain, produces today. The rate of growth planned in several other areas is even more significant.

- **Power**—Electric power output is to be almost doubled. The 1960 goal is set at 320-billion kwh. A big part of the increase in electric power will come from huge hydropower plants, like the ones now going into operation on the Volga River. Much of the new power is sure to be used for production of nuclear weapons. Some of it will go to meet the goal of doubling aluminum output, to about 1-million tons.

- **Automation**—To speed the spread of automation, the Russians plan to about double their output of machine tools. Their target is an annual production of 200,000 "metal-cutting machine tools" and 25,800 "forging and pressing machines." A trio of U.S. engineers who have just taken a look at Soviet progress in automation, report that Russian industry has the equipment and knowhow to make real strides in this field.

### II. Harsher Living

But the black side of the picture shows up when you contrast these in-

# on Stalin's Tracks

Key to success of Soviets' heavy industry drive may lie here. Though plan provides for some growth of consumer goods production, average Russian won't get better living standard. So Western experts wonder whether the harsh life that's in store for him won't act as drag on industrial growth.

dustrial goals with the plans for consumer goods.

Output of cotton textiles, by far the most important clothing fabric in Russia, is to go up by a mere 20%. Even if the target is reached—and past performance suggests that it won't be—the increase will do little more than take care of the expected growth in population. If the shoe target is met, two pairs of shoes (probably half made of some fabric other than leather) will be available for each Russian in 1960.

- For Bosses—Production of consumer durables, like refrigerators and washing machines, is to go up four to six times. But these items are meant mainly for party and government bureaucrats, not for the average man. Only radios will be available generally: their production is to go up from just under 4-million sets to something like 9-million.

The Soviet bosses are making only one real concession to the consumer, and this is aimed specifically at the urban industrial worker: The rate of housing construction is to be doubled in the next five years. All emphasis here will be on prefabricated concrete structures (BW—Oct. 15 '55, p30). And to take care of this program, cement output will be more than doubled.

On the basis of past performance, you can expect the USSR to make its goals for heavy industry. The over-all rate of industrial growth has, in fact, been scaled below the growth rate officially claimed for the past five years. (Soviet officials claim that total production grew by 85% between 1950 and 1955; they are shooting for a 65% increase by 1960.)

- Two Drags—But Western experts see two big question marks hanging over the Soviets' plans for industry in the next five years. They wonder (1) whether labor productivity can be raised to the planned level; and (2) whether Soviet agriculture won't continue to lag so badly that it will directly effect light industries like textiles and shoes and indirectly hamper heavy industry growth.

The plan calls for a 50% increase in labor productivity. That would be a

10% greater increase than Russia claims to have achieved in the past five years. And it looks as if this productivity increase is a must if the industrial targets are to be achieved, for the Soviet manpower pool has all but dried up (BW—Oct. 1 '55, p116). In fact, there is a manpower squeeze because (1) the farms no longer have a labor surplus to send to the cities; and (2) a low wartime birth rate will soon bring a dip in the number of Russians entering the labor force.

More and better housing will help to keep Soviet industrial workers at their jobs. But, after the improvement in living standards promised by Malenkov, they aren't likely to be too happy with what's in store for them. A United Nations study shows that the Soviet standard of living, after rising for a number of years, started declining about mid-1955. Using official Soviet figures, you can calculate that real wages already have dropped 24% below 1954.

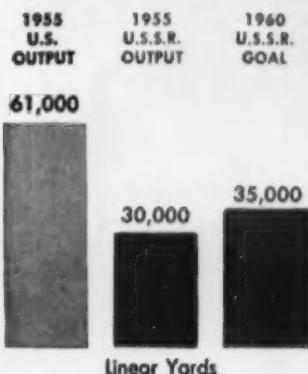
- Farmers Back in Vise—As for agriculture, there is no chance that the new goals can be reached. The 1960 grain production target is 180-million metric tons—about the same as the goal set for 1955. Yet grain production last year was about 110-million tons, despite the Soviets' tremendous drive in 1954-55 to bring virgin lands into production. The fact is that this program—called "the boldest economic gamble of the century" by a leading European economist—has proved a flop. Khrushchev, its sponsor, all but conceded that in a speech he made last week.

So now any increases in grain output must come largely from improved agricultural methods, especially in corn production, on the old lands. But Khrushchev is bound to be caught in the vicious circle that Malenkov tried to untangle.

Malenkov intended, as much as anything, that an increase in consumer goods would provide incentives for collective farmers, who were squeezed so hard under Stalin. But Khrushchev apparently thinks he can squeeze the Soviet farmer as successfully as Stalin did. **END**

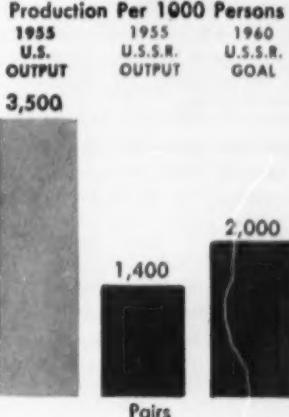
## COTTON CLOTH

Production Per 1000 Persons



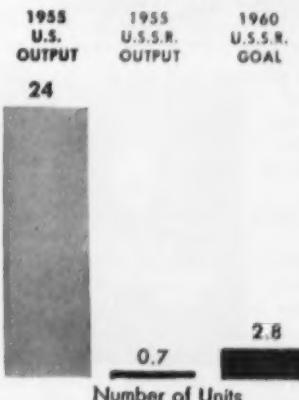
## SHOES

Production Per 1000 Persons



## REFRIGERATORS

Production Per 1000 Persons



## BUSINESS ABROAD BRIEFS



**Sino-Russian friendship** was the keynote of ceremonies at Ulan Bator, capital of the "Mongolian People's Republic," when a new railroad was opened Dec. 31 (picture above). The road links Peking to the Trans-Siberian line—through an area that has been a traditional battleground for Russian and Chinese interests.

**German auto production** hit new records in 1955—908,000 vehicles, or 33.5% over 1954. While German auto exports rose 33%, Britain is still the world's No. 1 auto exporter. It shipped 531,000 vehicles overseas, 125,000 more than the Germans. Total British production rose to 1,240,000, 17% over 1954.

**Communist Poland** has won a contract from a joint Jordan-Syrian-Saudi Arabian commission to rebuild the old Hejaz railroad. Fifteen other bids were made for the job that will connect Damascus, Syria, by rail with Medina, Saudi Arabia—perhaps the most strategic 500 miles in the Near East. . . . **First National City Bank of New York** has opened a branch at Jeddah, Saudi Arabia, its third in the area. The others are in Cairo and Beirut, Lebanon.

**India's planners** will get an assist from Harvard economist J. K. Galbraith (BW—Apr. 23 '55, p92). He will advise the government for three months, beginning in February.

**U.S.-Indian** airlines fracas that resulted in Trans World Airlines and Pan American World Airways flights into India being brought under quotas has been temporarily resolved. Washington and New Delhi have agreed to survey the traffic between the two countries to find out just how big it is, and who carries it.



## UNIVAC: "You're trying to divide by zero"



A scientist, testing a formula on Univac® recently, was amazed to see the computing system stop, then automatically type the reproof: "You're trying to divide by zero." A quick check proved that Univac, as always, was right.

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## Finish Fight on Long-Term Aid

Despite Congress flare-up, the White House will press for the right to promise money ahead, as the best way to woo underdeveloped countries.

Despite a heavy squall of bipartisan opposition in Congress, the Administration will stick by its new foreign aid program. In fact, Pres. Eisenhower is prepared to put up a last ditch fight for his proposal for long-term aid commitments. He is convinced that a long-term program is the cheapest and most effective way for the U.S. to meet the Soviet offensive in the Middle East and South Asia.

The Administration's Congressional experts frankly admit that the squall on Capitol Hill took them by surprise. They had expected attacks from such Republicans as Sen. William Knowland of Calif. But not from the Democratic internationalists such as Sens. Walter George, Richard Russell, and Mike Mansfield. They looked instead for pretty solid support in this quarter, especially when top Democratic Presidential contenders have been calling for a new, dynamic foreign policy.

• **Validity**—The Administration recognizes how strong Congressional feelings are on this point—and the validity of the logic behind them. So it will tiptoe softly in asking Congress for the power to launch a long-term program. The White House will offer no hard and fast proposal. In the early stages its strategy is to put the problem squarely up to Congressional committees. Congress will be asked to come up with a formula that protects its fundamental prerogatives and still frees the Administration to compete with the Communists.

The hardest decision for Congress will be to grant the Administration authority to make long-term aid commitments in advance of Congressional appropriations. This reaches the most sensitive nerve in the Congressional body—its control over the national purse strings (page 184).

• **Validity**—The Administration recognizes how strong Congressional feelings are on this point—and the validity of the logic behind them. So it will tiptoe softly in asking Congress for the power to launch a long-term program. The White House will offer no hard and fast proposal. In the early stages its strategy is to put the problem squarely up to Congressional committees. Congress will be asked to come up with a formula that protects its fundamental prerogatives and still frees the Administration to compete with the Communists.

What Eisenhower wants is the power to obligate U. S. funds, in advance of Congressional appropriations, for development projects that may take 10 years or more to complete.

That's a tall order. Even under the Marshall Plan, Congress refused to permit obligation of funds prior to appropriations, although it was accepted as the sense of Congress that the program would continue for four years. The only precedent is the authority granted the Administration a few years ago to commit unappropriated funds three years in advance for military bases, transportation, and communications facilities in Europe.

• **Asking Price**—No formula for doing this has been settled on by the Administration. For working purposes it is thinking in terms of authority to obligate up to \$100-million a year for 10 years in advance of appropriations. Eisenhower will settle for something less than this to get broad Congressional backing. But the Administration will insist that Congress make it clear that countries struggling to develop their economies can count on specific amounts of assistance over a long period.

Some officials say privately that the coming debate will mark a turning point in U. S. foreign policy. Specifically, they think the U. S. must face up to three major questions:

• Will the American people, in the absence of military crises, maintain their support for the expensive and exasperating job of competing—economically and politically—with the Soviet empire?

• Will Congress give the Administration a free enough hand to allow it to counter an enemy whose leaders have almost complete freedom to promise and deliver economic assistance?

• Is the U. S. prepared to compete with the Soviets instead of merely trying to isolate them—and to compete for the friendship of countries that will insist on (1) maintaining neutrality between East and West; and (2) gladly take economic assistance from the Russians and the Chinese?

Behind the new aid program lies a lot of hard official thinking. Most planners now are convinced that:

• The nuclear stalemate has channeled the Russian drive for expansion into the economic and political fields. The Russian diplomatic offensive in Asia, the Middle East, Africa, and Latin America is not a hit-and-run bid for propaganda triumphs. It's the opening



## "We've expanded five times since we built our western plant in MOA"

**An interview with Marshall Lasher,  
Vice President in Charge of Western Operations,  
HUBBARD and COMPANY**

**Q. Mr. Lasher, when did Hubbard and Company first establish its western branch plant?**

Mr. Lasher: Thirty-one years ago . . . in 1924. We were—and are—the world's largest manufacturer of poleline hardware and our principal product is metal parts for telephone poles and power lines. The Pacific Coast telephone and utility companies were growing so fast we had to build a factory to supply them locally.

**Q. Why did you decide to locate in Alameda County—or, as we call it, the Metropolitan Oakland Area?**

Mr. Lasher: Alameda County is known for its level plant sites and for its central location. Today, its splendid network of rail lines and highways provides overnight delivery to the great majority of our western distributors.

**Q. How about Alameda County's port facilities? Are they of any benefit to your operations?**



Mr. Lasher: Our western plant supplies the Hawaiian market. It is certainly an advantage being located near the Port of Oakland in the West's greatest port area.

**Q. What raw materials do you need for your business, Mr. Lasher?**

Mr. Lasher: Mostly steel and zinc, both of which are readily available here in the West. In fact, we buy 99.9% of our supplies locally. So far, we have never run into a single shortage.

**Q. Aside from its central location and adequate sources of raw materials and supplies, is there anything else you like about conducting a business in Alameda County?**



fraternal organizations won't do to help you get organized. The cooperation of the public utilities has been particularly helpful and gratifying.

**Q. What is your opinion of western labor, Mr. Lasher?**

Mr. Lasher: Definitely above average. The men are rugged, willing, hard-working and they learn fast. The low rate of absenteeism indicates our workers believe in a full day's work for a day's pay.

**Q. You still haven't mentioned our climate advantages.**

Mr. Lasher: I'm saving the best for the last. I've been all over the United States and when it comes to climate no place can even approach Alameda County. The thermometer hardly moves the year 'round and this not only makes for better living conditions but for better working conditions. Men who have to work near our two-thousand degree drop-forces really appreciate this temperate climate.

**Q. Haven't you also found that a climate that rarely goes below freezing also means lower operating costs?**

Mr. Lasher: Less fuel bills, no costly wall and roof insulation, extremely low power rates—all these add up to important money saving.

**Q. If Hubbard and Company had to do over again, would it still build its western plant in Alameda County?**

Mr. Lasher: It most definitely would. Alameda County is not only the West's finest location for business, but at its present rate of growth will soon become the West's industrial center. Already, the Metropolitan Oakland Area is the West's second biggest market. Right now, business has a tremendous job just catching up to the present population.

**Q. How does Hubbard and Company plan to keep abreast of the West's rapid expansion?**

Mr. Lasher: On a national scale our business shows a considerable increase, but our expansion program is largely concentrated in the West, where our sales increase has been by far the greatest. Already, we have expanded our western plant five times since it was first built. Last year, we added 40,000 more square feet at a cost of \$500,000. Now, we're beginning to think of further expansion.

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phase of a drive to detach the economically backward countries from the free world within the lifetime of the present Russian rulers.

• The Russian economy (page 66) has become the second biggest industrial economy in the world, and will be increasingly able to export the industrial equipment that the backward countries so desperately want. At the same time, it will be increasingly able to absorb the raw materials surpluses, particularly agricultural products, that the underdeveloped countries want desperately to get rid of and that the West can't use.

• Most of the underdeveloped countries—particularly in Asia, the Middle East, and Africa—are determined to develop their economies at any cost. They also are anxious to keep clear of the cold war. They will accept Russian help on reasonable terms.

• The major force that unites the industrial countries of the West with the underdeveloped countries is a common concern with their economic development. Substantial long-term U. S. economic aid will be the main way in which the U. S. can demonstrate this concern for a long time to come.

With this reappraisal of basic policy has come a shift in the goals of U. S. economic policy in the underdeveloped countries. Officials no longer talk in terms of rapidly raising the standard of living of Indians, Egyptians, and the rest. They have concluded that that is beyond the political, and perhaps the economic capacity of this country.

• **New Environment**—One high official defined the job this way:

"The cold war will be won or lost in most of the underdeveloped countries long before their standards of living could be raised enough to make much difference. The problem is to create an economic environment in which the critical decisions for or against the West will not be taken on the basis of economic desperation. The West must offer a sense of direction, of movement, of progress towards economic goals as an alternative to economic dependence on the Soviets."

The underdeveloped countries need new capital resources to build whole industries that never existed before and that will take years to create. They can't undertake 10 or 15 year projects without having the financing assured in advance.

Examples of development projects are numerous. The Aswan High Dam in Egypt, which the U. S. has offered to finance, is the biggest.

Other river developments all across the Middle East and South Asia are in the same category. There's the Litani River scheme in Lebanon. The Jordan Valley proposal is designed to ease tension between the Arabs and Israel; the Indus River scheme is aimed

at doing the same thing for India and Pakistan. In Southeast Asia, planning is going ahead for extensive multi-purpose development of the Mekong River for the joint benefit of Thailand, Laos, Cambodia, and Vietnam.

• **General Programs**—In addition to specific large projects, almost all of the uncommitted nations—as well as such of our allies as Turkey and Pakistan—have drafted or embarked on ambitious development programs extending over five or more years.

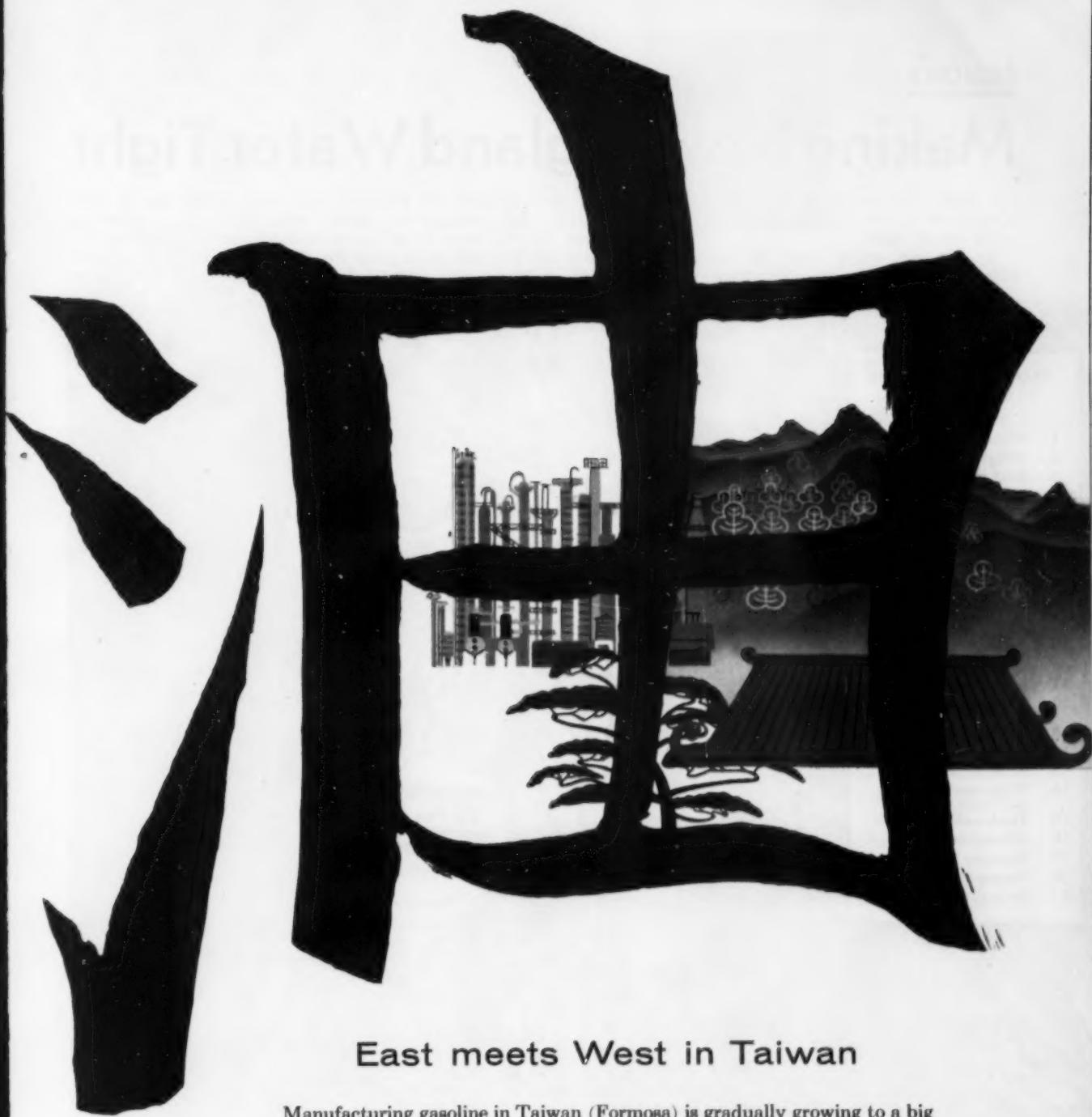
• **Special Fund**—Flexibility is stressed in the new aid program—to give Washington freedom of maneuver to meet unexpected Russian moves. At least \$100-million will be put into a special emergency fund to be used anywhere for anything at the President's discretion. In addition, the Administration will fight to retain the existing authority to transfer up to 100% of aid funds from one appropriation item to another. Congress, suspicious of blank checks as in the past, is sure to try to pin down money to specific countries and projects.

The political impact of aid rather than its economic soundness will get more attention. This is a direct result of Russian pressure. In Afghanistan, for example, the Russians have scored a resounding political triumph by paving the streets of Kabul and putting bright red taxicabs on the new streets. The much more expensive—and more essential—U. S. investment in irrigation and power has gone unnoticed.

From now on, U. S. aid administrators in the field have been instructed to keep their eyes open for projects that attract attention even if there are more important things to be done. The economics of building steel mills in agricultural economies won't be examined so closely.

• **Loans**—There's a new stress on giving aid in the form of loans rather than grants, also for political reasons. U. S. officials have been impressed by the fact that almost all Russian economic aid so far has been in long-term trade credits, not grants. This apparently pays handsome political dividends in increased self-respect for the recipient countries and decreased meddling in their internal economies by foreigners.

Europe and Japan will be brought into the long-term aid program if possible. This not only would make extra capital and knowhow available but also a greater diversity of political skills. Behind-the-scenes negotiations currently are in progress with the OEEC (Organization for European Economic Cooperation) to see if a bigger, more permanent role can't be found for Europe in Asian and Middle Eastern development. The U. S. also would like to see Japan's industry more closely integrated with Southeast Asia. **END**



## East meets West in Taiwan

Manufacturing gasoline in Taiwan (Formosa) is gradually growing to a big business. The latest step is the new catalytic reforming plant, recently designed, constructed and placed on stream, for the Chinese Petroleum Corporation by Blaw-Knox. Thus, East met West in Taiwan.

This is but another example of world-wide achievements of Blaw-Knox engineers. Other Blaw-Knox activities are listed below, information on any one of which will be sent on request.



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## REGIONS

# Making New England Water Tight

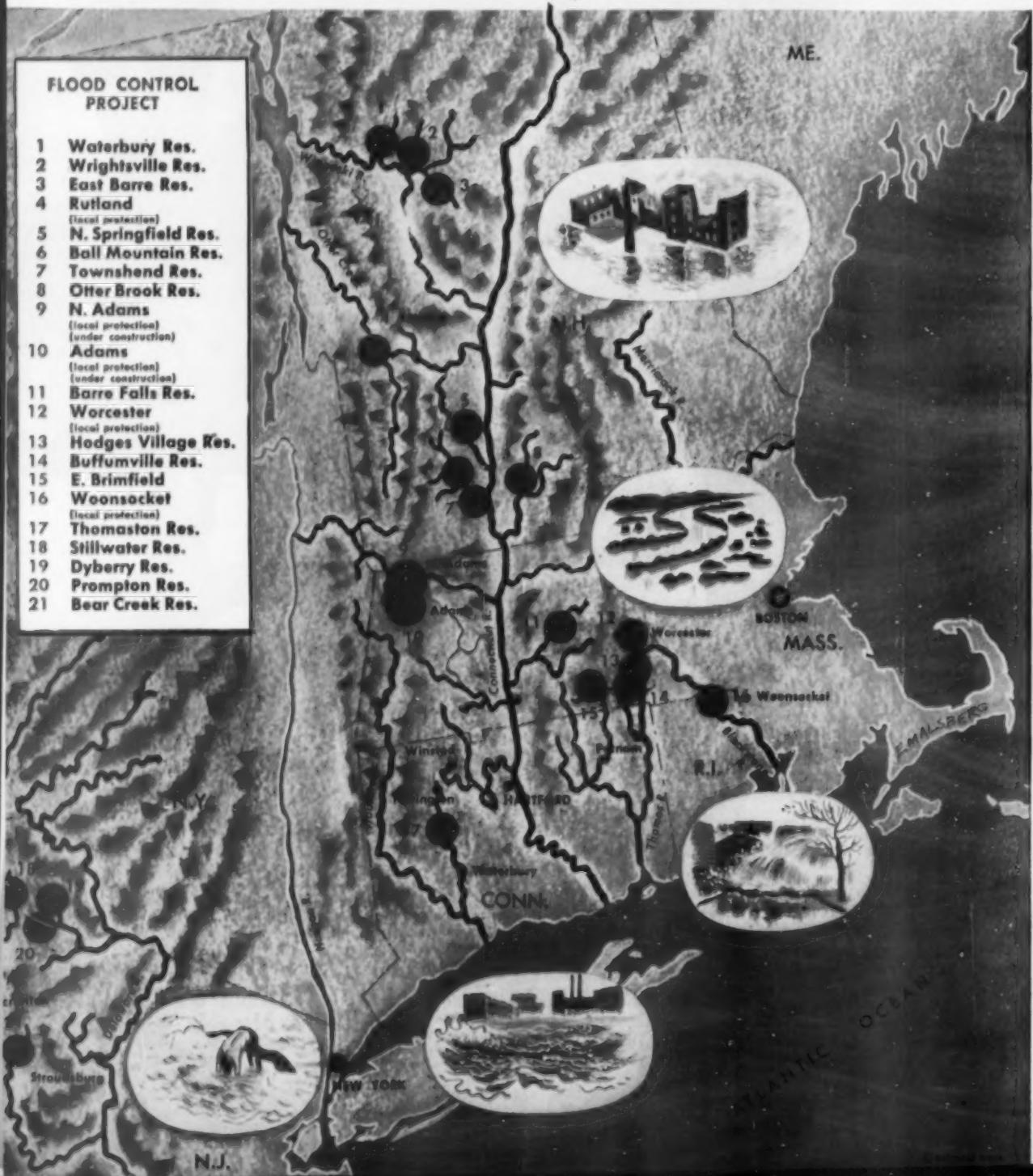
A giant program of flood control construction for the Northeast will be under way by April.

By the time spring opens up the hills to construction crews, the Army

Engineers and state agencies will be taking bids on the first contracts for five new dams in the area where Hurricane Diane left her wreckage last August. By the following year, they

will have work started on 11 more dams, plus three local protection projects—floodwalls, levees, and the like.

• **Big, Fast Job Wanted**—That is the minimum schedule that Pres. Eisen-





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(Zone 2—Texas and 11 Western States)

hower presented to Congress last week in his budget message. Money to start the big job will almost certainly get Congressional approval. The local opposition that long blocked federal action on flood control for the Northeast was all but swept away last summer. The drive now is for as much protection as possible, as fast as it can be provided. Congress may even be pressured into adding new starts to the list that Eisenhower recommended.

In New England, the fast-action program revives a comprehensive flood control plan that has lain dormant for 10 years. In northeastern Pennsylvania, too, the new money would break ground for four dams that Congress first authorized years ago.

The money the Administration is asking for flood control in New England would start nearly \$100-million of new projects in the next 18 months. That is a big chunk of the \$330-million comprehensive plan that the Army Engineers first worked out after the 1938 floods. A smaller piece—some \$50-million—had been put under construction before the broad program bogged down in local apathy and opposition.

But last year's floods showed everybody that the existing comprehensive plan just isn't big enough to protect New England against all of the various kinds of storms that have hit the region. The program will have to be enlarged by at least several hundred million dollars before all major flood threats can be met.

• **Diane Upset Pattern**—There are reasons for the deficiencies in the authorized New England plan. First, it was designed to take care of heavy rainfall and runoff caused by storms with a North-South axis, such as occurred in 1938 and 1936. But the rainstorms induced by Diane last August followed a quite different pattern. They dumped an even more intense rainfall over an East-West area shaped like an ellipse, with its major axis close to the Connecticut-Massachusetts line.

This storm quickly surcharged the smaller tributaries and coastal rivers with record-breaking floods that wrought havoc in the narrow valleys. The new storm pattern showed the need for drastic revision and expansion of the original plan. No longer is control of North-South storms enough. Additional protection has to be provided against intense storms of different pattern that cause devastating flash floods in smaller streams.

Nobody can say how much additional protection can be provided or what the cost will be. Reservoir sites are hard to acquire in thickly populated New England, and it's even harder to get



*Photograph by Wetzel*

# A new year-new opportunities!

The dawn of a New Year has always been a symbol of hope for mankind. It brings new light, new promise. And today, at the dawn of another New Year, many of the age-old "promises" are materializing into bright new opportunities in the light of scientific research!

Chemical research, for example, is creating many useful new materials on which entire new industries are being built and older industries expanded. As these industries grow, they open up broad new fields for enterprise. New jobs, new careers, new areas for achievement now exist where none existed before. There is a growing demand for men and women trained in chemistry, chemical engineering and other branches of science. And, as a result of chemical research, new employment opportunities are being created in many other fields of endeavor. Never before has the future offered a greater challenge and variety of opportunities to make use of knowledge and ability!

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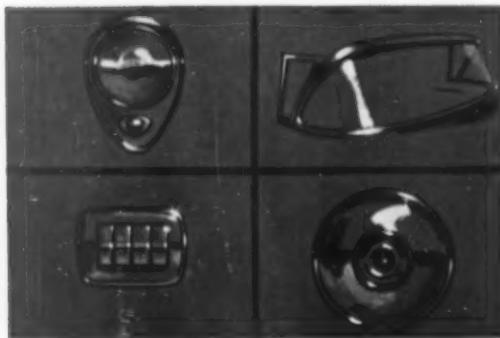


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rights-of-way for flood channels through close-packed old industrial cities and towns. Studies and surveys now being made by the Corps of Engineers will give some answers as to the possibilities in a year or two.

• **Plans Are Ready**—Dams and local protection works to be started in New England are drawn from an authorized list of long standing. They are the projects on which state and local agreement has been reached, and for which preconstruction planning is complete or far enough advanced to assure early completion. Projects slated for early construction this year are the \$17-million Ball Mountain Reservoir in Vermont, the \$5-million Otter Brook Dam in New Hampshire, two Massachusetts reservoirs to cost just under \$3-million each at Buffumville and Barre Falls, and the \$18-million Bear Creek Dam in Pennsylvania.

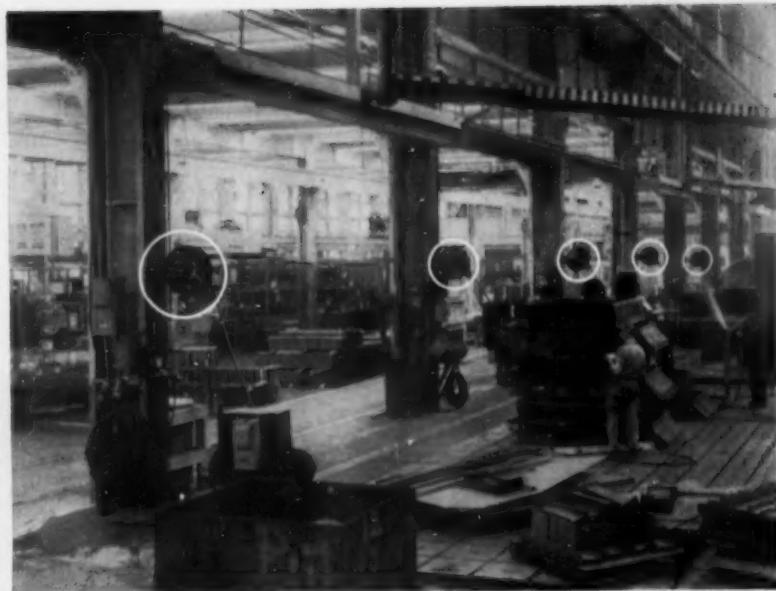
In the presently authorized pool of New England flood control projects are a total of 32 dams and nine local works. Already proposed by the Corps of Engineers, but not yet authorized by Congress, are eight additional dams and two local protection projects.

Before the 10-year hiatus in flood control construction set in, New England had cleared the way for completion of nine flood control dams. Several of these saved large amounts of flood damage last year, one of them saving three times what it cost. New England also has obtained 18 completed local protection projects under the comprehensive plan. Four others are under construction.

• **Interstate Compact**—During the 10-year lapse, the New England states set up machinery for cooperative action. Because the Connecticut River basin includes four states, it was necessary for Vermont, New Hampshire, Massachusetts, and Connecticut to work out an interstate compact and a formula by which the downstream states would share in the cost of dams constructed in the upstream states. A compact was agreed to, approved by Congress, and activated in 1954.

Since that time, flood control prospects for the Connecticut Valley have been brighter. The states agreed on three reservoir projects for that basin. Other interstate streams, however, had to struggle along without compacts. Massachusetts had agreed with Connecticut to allow construction of Buffumville Dam in the Thames basin. But there were no state concurrences forthcoming for additional projects on the Thames or on other rivers, such as the Blackstone, Merrimack, and Naugatuck. Local people still resisted sacrifice of land for flood control reservoirs that would benefit only downstreamers.

• **Sudden Change**—Diane changed all that. Between Aug. 17 and Sept. 1,



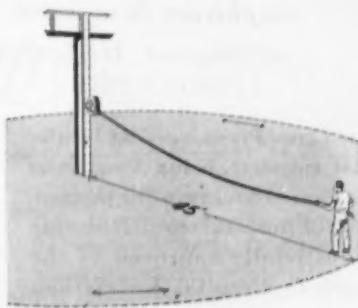
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*"... Diane produced a tremendous shift in public opinion in favor of flood control . . ."*

FLOOD CONTROL starts on p. 74

public opinion shifted tremendously in favor of flood control. Concurrences came through for four projects in the Thames basin, one from Connecticut and three from Massachusetts. Vermont is expected to consent any day to an authorized reservoir for the Connecticut basin, and Massachusetts has scheduled hearings that should lead to approval of two dams, one for the Connecticut watershed and the other for the Thames.

Massachusetts and New Hampshire are negotiating a compact for the Merrimack under which the Army Engineers hope to get quick agreement on the \$33-million Hopkinton-Everett Reservoir in New Hampshire.

New England flood control calls for many small reservoirs instead of a few big main-stem dams. The narrow valleys, highly developed in their downstream portions, forbid construction of large, multipurpose projects such as are used in the West and South.

• **No Power**—There is no place for public power in the New England picture. And, if there were, it would be violently opposed. The reservoirs stand empty until flood waters start to roll down the watersheds above the dams. Then the outlet gates are closed, and the dams catch the runoff. The objective in designing each project is to create enough reservoir capacity to catch the full runoff from 6 in. of rain over the drainage area upstream—and to hold back 2 in. more while a surcharge of water is passing over the spillway of the dam.

Conditions in New England also require control of a larger share of each river basin than is necessary elsewhere around the country. The engineers aim to block off 20% to 25% of each drainage basin with dams on the tributaries. If upstream dams scalp 25% of the greatest floods anticipated, the remaining flow can be controlled and contained in its passage through the lower basin.

• **Relief for Pennsylvania**—Northeastern Pennsylvania—in the area ravaged by Diane-induced floods—is much like New England. Four dams to be started there under the speed-up program will control floods of the kind that hit Scranton, Stroudsburg, and Allentown-Bethlehem.

Spotted upstream in steep narrow valleys, the four Pennsylvania dams—costing about \$40 million in all—will catch flood flows from their drainage



CHARLES W. NEWHALL, JR., Pres., Flight Refueling, Inc., Baltimore, Md., says

*"Our employees also receive  
the liberal benefits  
BLUE SHIELD provides!"*

**Sponsored by doctors in their own local areas . . . Blue Shield Plans help people meet surgical-medical-maternity expense.**

*"To make our health-care program at Flight Refueling even more helpful to employees, we added Blue Shield in 1951.*

*"The cost has been very small—especially in relation to the help Blue Shield gives our people in meeting their doctor bills.*

*"Where surgery is required, Blue Shield is a godsend. Surgical services seldom come cheap. Often they run higher than the cost of the hospital care. Needless to say, Blue Shield enrollment here is 100%!"*

**Quick facts on Blue Shield:**

**Saves paper work.** Payments are made direct. No claims filing or follow-up for management.

**Low cost . . . nonprofit.** Every cent paid in, except for necessary expenses,

is set aside to help pay surgical-medical bills for members.

**Pays generous, specific amounts** for hundreds of operations, plus many nonsurgical services, including maternity care. Often it pays the full fee. **Easily adapted** to existing employee welfare programs...in both large and small companies.

**For full information**, contact the Blue Shield Plan in your area. Or write to the Blue Shield Commission, Dept. 604, 425 North Michigan, Chicago 11, Illinois.



**BLUE SHIELD®**

® Service mark reg. by Blue Shield Medical Care Plans



## 1956 YEAR OF DECISION

This is a year for good citizenship, for looking at records and weighing facts—for *voting*. And remember, no matter which way you vote, the casting of your ballot proves you *are* a good citizen.

If you're a shipper, you might look at records and weigh facts about Fort Wayne corrugated containers, too. We're confident of your decision once you know what they can do for you. Give us a call.

SUPPORT JUNIOR ACHIEVEMENT, Putting Youth in Business  
Junior Achievement Week, January 29–February 4

**Fort Wayne**  
CORRUGATED PAPER COMPANY  
GENERAL OFFICES • FORT WAYNE 1, INDIANA  
Corrugated Fibre Boxes • Corrugated Paper Products



areas and reduce crests downstream to manageable levels. If Congress votes money as promptly as expected, initial contracts for the first dam will be out within a matter of months—and for the other three by early 1957.

Other New England and Pennsylvania projects will follow closely behind the 19 already slated for early construction. Eisenhower has asked money for accelerated planning of two additional New England dams and four local protection works, two of them in Pennsylvania. Congress and the President are ready to act on others as fast as the New England states come to agreement among themselves.

New York gets one of the new construction starts in the accelerated program that the Administration is backing. Money is requested at once to complete the planning for \$5-million of local protection works to safeguard Endicott, Johnson City, and Vestal from any future Susquehanna River floods.

- **Reaction Is Mild**—So far New England's reaction—by its businessmen and officials—to Eisenhower's program has been decidedly mild. Few of the governors had any comment at all last week, and a great many businessmen admitted they had only the vaguest idea of exactly what the President had proposed.

"It would take a trout fisherman who has waded a good many more streams than Eisenhower," said one Worcester (Mass.) executive, "to figure out from the press precisely what we're to get and when we're to get it."

Generally, what reaction there was from businessmen, though, was favorable. American Optical Co., which suffered heavy damage at Southbridge, Mass., said that it was "terrifically in approval" of the fact that the President has taken notice of the situation, and that the dams proposed are the kind that are needed. In Woonsocket, R. I., where the rampaging Blackstone River left about \$25-million of wreckage, there was general approval and hope that something would be done before the next floods hit. Allentown and Bethlehem, Pa., which will get the most direct benefits from Bear Creek Dam, thought it was all to the good.

- **Interest at Low Ebb**—To some people, at least, the mild reaction simply underscored one of the major problems of flood control: Floods arouse violent interest in federal projects when the water is at its crest. But the same projects can hardly stir comment when all is well. Even those who live in the river bottoms are inclined to forget the danger when the rain is high and the water low. That—in New England at least—was one of the main reasons why the towns and cities were so unprotected last summer. **END**

Odor Control Is A Profit Builder!



## You can cut the cost of smoke

**Fire smoke**, charred wood and burnt rubber odors are nuisances and very expensive. Although there may be no evidence of physical damage, odors in upholstery, on walls or other surfaces will convince the owner that irreparable damage has been done. But test after test has proved that these odors in the home, store or plant can be eliminated safely and economically by Airkem Smoke Odor Service.

**Odors** from fire-charred beams made the destruction of an historic antique floor in an Indiana residence seem inevitable. However, instead of removing the beams which were still sound, Airkem Smoke Odor Service was used. The odors were eliminated and the floor was saved.

**Airkem prevented**, in another case, the loss of a valued account for an importer by killing smoke odors in 5,000 dozen handkerchiefs. The shipment, destined for the Christmas trade, was contaminated by fire smoke while in transit. Airkem treatment removed the smoke odors and made the

items salable, and prevented the loss of important business.



Odor Control is a profit builder for department stores, sanitarians, amusement areas, theatres and insurance offices.

**Wherever odors are found**, in the air, on a surface or in a product, Airkem has proved its ability to effectively meet the problem. In restaurants, offices and public buildings, Airkem is used to kill cigarette, food and other occupancy odors. Airkem is used as an adjunct to air conditioning to neutralize odors brought in through the system. Industrial plants use Airkem to control exhaust odors and as an additive in odorous products.

**Airkem**, the true odor counteractant, remedies all these odor conditions quickly, economically and safely.

Mail in the coupon for additional information or *free survey*.  
There's no obligation.

**AIRKEM, INC., 241 East 44th Street, New York 17, N. Y.**

Send me information on  Smoke Odor Service  Air Conditioning Service  Product Odor Control  Sanitary Maintenance  Please have Airkem Field Engineer call.

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_ BW-156

# In Regions

• • •

## Industrial Development Plan Tailored to Legislative Cloth

**HARRISBURG**—Faced with a road block in the State Senate, Pennsylvania's Gov. Leader has decided to scrap his plan for a \$20-million state industrial development program (BW-Dec. 17'55, p162).

Proposed last year, Leader's plan would have set up a new State Industrial Authority with a \$20-million appropriation for a revolving fund to develop sites and construct buildings for long-term lease to industry. The scheme got through the House, but has been bogged down for months in the Senate.

Leader's idea now is to create a more limited authority—one that would take an initial appropriation of only \$5-million. Instead of building plants, its role would be confined to offering second mortgages to local development groups in critical labor surplus areas. It would be empowered to lend up to 30% of plant costs to these local authorities.

• • •

## Private and Public Power

### Clasp Hands in the Northwest

**SEATTLE**—A precedent-setting contract—one that may lead to new alliances of public and private power—held the attention of the power-conscious Pacific Northwest last week. There has never been anything just like it.

Some experts see the pact as an admission by private power that its chances are slight of building new dams of its own on the Columbia River. The contract is between Puget Sound Power & Light Co. and the Chelan Public Utility District, Wenatchee, Wash. Two dams are involved. One—Rock Island, downstream on the Columbia from Wenatchee—was the first ever constructed on the river; it has been Puget's property. The other—Rocky Reach, a much bigger project upstream from Wenatchee (BW-Nov. 12'55, p150)—is yet to be built. The contract stems from a condemnation suit by Chelan to get control of Rock Island Dam.

The new pact puts Puget and Chelan into partnership on the two dams—both the old one and the one to be built. Puget, which has the financial strength but lacks the preference given to public agencies in the licensing of new construction, gets itself low-cost power for the next 50 years. Chelan, which has the preference rating, gets power, too, and assures itself of financing for a big project in its own backyard. Here is how it works:

Chelan will pay Puget \$28-million for Rock Island Dam, which has been in operation since 1933. Puget's 50-year license on the dam is about half run out; the dam would go to the federal government at the end of the license.

Two years ago, though, Chelan in cooperation with Puget installed new generating capacity at Rock Island

and got itself a 50-year license for the addition of the turbines. It also got two-thirds of the output of the dam. Chelan's license still has 48 years to run, with a possibility that it might be permanent. This is one of the big points of the contract.

In the sale of the dam, Puget gets half the power output—124,000 kw.—for 48 years. Thus, it gives up one-third of the dam's output for roughly 25 years and gets back one-half for 48 years. In return, it guarantees payment on Chelan's bonds for the purchase, thus enabling Chelan to command a lower rate of interest.

On Rocky Reach—the new dam—the partnership again works to drive down costs, while assuring Puget of a big block of relatively cheap power for 50 years. The dam, with about 400,000 kw. of prime power, will be owned by Chelan. The bonds to build it will be guaranteed by Puget. With this guarantee—and the tax-exempt status of Chelan's bonds—the dam will be financed at a lower cost than either Puget or Chelan could command operating alone.

Under the contract, Puget agrees to buy all the output of Rocky Reach and to act as the marketing agency. It also agrees to turn around and sell—at cost—slightly less than half of this power to Chelan for 50 years.

• • •

## Segregation Fracas Cuts Deeply

### Into Travel on Alabama City Buses

**MONTGOMERY**—The boycott that Negroes slapped on the Montgomery City Business last December is still having repercussions. The latest: a fare hike by the company in an attempt to offset its staggering loss of riders.

The Negro community began its boycott of the lines on Dec. 5, following the arrest and conviction of a colored woman who had refused to move back into the section of the bus reserved for Negroes. In asking the City Commission for a fare hike, the company produced records to show that during the last 26 days of the month, riding had dropped off 67% from the same period a year ago. The commission O.K.'d a boost from 10¢ to 15¢ a ride, with 5¢ extra for a transfer.

Despite a series of meetings between Negro leaders and a mayor's committee, there has been little progress so far toward settling the dispute. The Negroes are asking that "white" and "colored" sections be eliminated on the buses.

• • •

## Regions Briefs

The St. Lawrence Seaway is holding to its target schedule of navigation by 1959. About 9% of the work is done now; roughly 35% should be finished by the end of this year. On the power phase the forecast is for first deliveries in 1958.

More offstreet parking would complicate—not simplify—downtown's traffic problems, a Richmond (Va.) survey shows. The study—by Mayor Bryan's Back-to-Transit Committee—concluded that more parking space would cut bus riding, worsen already bad auto tie-ups.

## USING DUPONT NEOPRENE IN INDUSTRIAL DESIGN



### He helped develop a lightweight tarp

His job is to assist companies like yours in the planning and development of new or improved products. His experience has helped thousands of manufacturers better the design and performance of their products through the use of rubber materials. He is the imaginative technical representative of your rubber-goods supplier.

He was recently called in by a tarpaulin manufacturer interested in improving the cumbersome coated canvas tarps used by the trucking industry for many years. These tarps tend to crack, tear and mildew, often failing prematurely.

Working together, the manufacturer and his supplier's representative solved the problem. Their answer was a new-type coated fabric based on the mating of two materials—durable,

resilient neoprene and strong, lightweight nylon. The smooth, waterproof neoprene coating resists abrasion, oil, grease, sunlight and weather. It stays pliable and easy to handle in all kinds of weather. And there's no problem of rot or mildew. This neoprene-nylon combination makes a remarkably tough fabric, so light in weight the tarpaulins can be handled by one man in most cases!

Your supplier's representative is backed by the years of rubber experience he and his company have had. So when your products call for the use of rubber materials, you can benefit from this experience by contacting him. He can show you how the DuPont elastomers, neoprene or HYPALON, may help solve your problems.

# NEOPRENE | HYPALON®

# DUPONT

REG. U. S. PAT. OFF.BETTER THINGS FOR BETTER LIVING...THROUGH CHEMISTRY

Mail the coupon today for our booklet "A Report to Management," which tells how industry profits by using the DuPont elastomers.

E. I. du Pont de Nemours & Co. (Inc.)  
Elastomers Division, Dept. BW-1  
Wilmington 98, Delaware

Name \_\_\_\_\_ Position \_\_\_\_\_  
Firm \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_



NAMES & FACES



## The Platter Spinner Is Radio's New Hero

Local stations count on his personality to sell enough commercials to keep them in the black. But to most disc jockeys, who often earn as much as \$25,000 a year, the job is more grind than glamor. Milwaukee's "Coffeehead" Larson is at WEMP studio before 5 a.m. (left), broadcasts from six to ten (right), then works far into the night.



AT THE STUDIO, record pushers wait in line to try to convince Larson that they have a sure-fire Hit Parade tune.

GAME OF POOL with executives of another sponsor is what Larson calls "drinking with the right people."



PUBLIC APPEARANCE at a sponsor's sales meeting gives Larson a chance to promote himself—and his station.

A CHAT with Robert Curran, president of City Loan, helps Larson sell radio advertising for the station.





**I**N MILWAUKEE—traditionally a city of early birds—businessmen and fellow disc jockeys alike say you have to get up early to get ahead of Bob "Coffeehead" Larson. This is more than literally true.

Larson breakfasts at the never-never hour of 4 a.m., arrives at radio station WEMP—owned by Milwaukee Broadcasting Co.—about half an hour later. From then until 6 a.m., he sets up his show for the following day. He's on the air at 6 a.m., with a supply of coffee—whence his nickname—talk, commercials, and records for a frantic four hours built around the sweep of the studio clock's minute hand.

The program goes off at 10 a.m., but that doesn't mean that Larson is free to crawl back into bed. The rest of the day, and often far into the night, he's involved in a variety of business activities all geared to boost his popularity as a disc jockey and to hang extra green on his and the station's income.

• **Rating**—WEMP is a small independent station of 5,000 watts covering Milwaukee's trading area 24 hours a day. The area has a population of roughly 1-million. WEMP's yearly advertising intake is estimated at \$750,000. Although this keeps the station's owners well out of the millionaire bracket, it nevertheless is a well-heeled

sock for an independent station in the Midwest. H. K. Boice, the station's general manager, says, "Larson is the man we depend on to pull in business at WEMP."

• **Pull**—Radio station owners, feeling more and more the smarting effects that television has had on radio, are counting on the popularity and business pull of a good jockey to keep them in the black. Many observers believe that the disc jockey alone is responsible for the fact that radio is still selling. Most advertisers credit him with most of the spot buying, particularly in local stations.

In San Francisco, for example, Don Sherwood—who spins platters over station KSFO for two hours five days a week—is said to have a waiting list of sponsors as long as your arm. And in Washington, D. C., Connie B. Gay discovered that people liked to listen to hillbilly records. In a matter of months, his 30-min.-a-day disc jockey program grew to three hours daily, with sponsors beating on the doors.

For Larson's show, the annual income hits somewhere around the \$200,000 mark. That comes from commercials sponsored by local companies such as a bank, a brewery, a tire distributor, a loan company. Larson, who is 32 years old, takes about \$25,000

or more from his radio work and from what he calls "extra-curricular" activities such as free lance commercials and personal appearances.

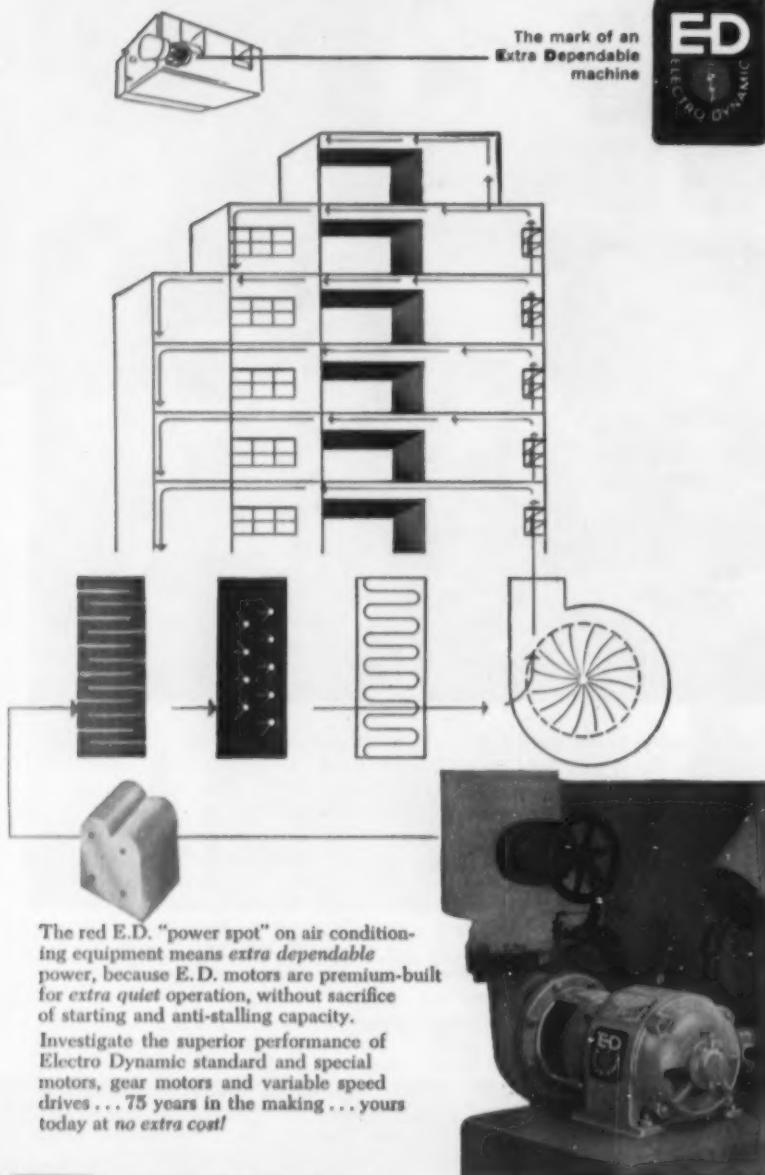
• **Public Servant**—Like many businessmen, Larson finds that it pays to keep up good social contacts with others in business. As an entertainer, he especially needs to keep himself shining in the public eye. This is easier for him than for many, perhaps, because he enjoys meeting and working with people.

More important, his local competition says, "Larson drinks with the right people." Many Milwaukee businessmen turn that reference around, and claim, "The right people drink with Larson." Larson keeps up an active social life and goes to higher-tone places "where there are business contacts." He's a first-nighter at every big event that comes to town. And he remembers names with a quick accuracy that makes you think he probably writes each one out five times after he goes home.

Just as important, Larson enters into public service work with the same zeal. Not only does this aid in keeping his name on the public's lips, but it gives him a perfect opportunity to fraternize with businessmen as they, too, go in heavily for public service work in

# a better kind of power

## for the air conditioning industry



**ELECTRO**  
Extra  
**DYNAMIC**  
Dependable motors

### NEW...

Write for  
Brochure 100  
and literature on  
new E.D. motors  
and drives.

Electro Dynamic division of  
General Dynamics Corporation  
Bayonne, New Jersey

### PRODUCT OF GENERAL DYNAMICS



"... 'ham anything in the commercial but the integrity of the product' . . ."

DISC JOCKEY starts on p. 86

Milwaukee. This year, he is chairman of Boy Scout Week in Milwaukee County—the first time this position has been held by a radio or video personality. He also is on the Easter Seal Committee, and the Muscular Dystrophy Committee.

He also does a vast amount of free lance work, has made 400 personal appearances in the last six years, and writes a weekly column on records for a few local neighborhood papers.

Last year Coffehead—the name used most by his listeners—was elected county surveyor. A fellow entertainer on election morning added Larson's name to the ballot for a gag. To Larson's surprise, he won.

• **Adman**—To the advantage of both his station and himself, he keeps close, personal contact with the advertising agencies—"You know, just stop around often and say hello." But it isn't Larson's job to get a signature on the contract. That's left to a radio station salesman, because it takes more than the personal popularity of the disc jockey to swing the deal. The salesman must convince the prospective time buyer on the radio commercial and of the listenership value of the station he sells for. But his trump card is the air-time magnetism of his station's platter spinners, and the pitch that these men can get the listeners into a buying frame of mind. Here's where the groundwork of a Coffehead Larson helps sell radio advertising.

• **Tight Rope**—Show-wise, Larson announces in a casual, clowning style. But he is able to walk the tight rope between presenting a commercial in a straight style and losing the sales message in jokes. "Ham anything in the commercial but the integrity of the product," he says. "I always remember I'm selling on the air as well as entertaining." This is something that some of his local competition often forgets. Some of the national advertisers who were influenced by his popularity and showmanship to buy time on his programs and who have consistently renewed their contracts over the past few years are Old Spice, Bayer Aspirin, Old Golds, and R. G. Dunn cigars.

• **Transition**—On the air, Larson selects his records to suit the kind of audience that is listening for a given time. Around Milwaukee, his listenership progresses from plant workers, to businessmen, to housewives and teenagers. For this reason, he includes not only

# BUSINESS IN MOTION

## *To our Colleagues in American Business ...*

Copper tube is used for hot and cold water lines, radiant panel heating, drainage lines, and to carry fuel or lubricants in automobiles and machine tools. Those are some of the conventional applications. However, during the last few years a new market has developed for this tube. You might like to hear about it. It is in pneumatic or hydraulic recording and control systems. One end of the tube is located at the point where temperature or pressure must be observed, and the other end is connected with a dial, a recording device, or an automatic controller. The tube may be filled with air, an inert gas such as nitrogen, or a fluid. The tube has the great advantage that it carries no electricity, and thus can be installed in places where a spark might cause an explosion, as in a plant handling combustible gases or chemicals.

Originally the idea of using copper tube for this purpose was carried out by running separate lengths of bare tube from the originating points to the panel board. This meant considerable care in installation, and it was also necessary to run the tube where it would not be subject to mechanical damage, or to protect it otherwise. Then a new development appeared: cabled tube. A way was found to put as many as 19 quarter-inch copper tubes in a single armored cable, so that instead of rigging 19 separate runs of tube, just one cable is run, the tubes being fanned out at each end as required. Installation time is cut markedly, and the armor provides self-protection. Cable runs as long as 1,000 feet are possible without joints. The tubes are color-coded.

Just to give you an idea of the usefulness of tubes in cables, here are a few of the applications in the

plant of just one public utility: boiler temperatures, main and reheat steam pressure, boiler feed and condensate pump pressure, condensate temperature, fuel oil and gas pressures, liquid levels, tide level, boiler drum water level, control of fuel feed, draft dampers, and numerous other controls.

This is a fast-growing use for copper tube, and while it will not match the demand for tube in commercial structures and private homes, nevertheless it is an important subject for industry and instrumentation engineers. In fact, a couple of years ago we thought that cabled tube had enough news interest to justify running an advertisement about it. Revere does not make cabled tube, but a Revere customer does, so we reported the matter as a service to industry. Mail began to arrive immediately, asking for further information. It is still pouring in, as the result of a second advertisement on the subject, appearing less than a year ago. American business certainly watches the advertisements for news it can use.

This is an example of imagination applied to a product that literally is as old as the pyramids. We have said in the past that "copper is the metal of invention," because it is so adaptable to man's genius. But there are many other materials, not merely metals, but such substances as glass, wood, plastics, fabrics and fibres, that also respond to an inspired touch. Why not get in touch with your suppliers, and let them know your problems? Perhaps they can arrive at a new way to use an old product, or even develop something new to solve an old problem. Just let it be known what you need, and watch people respond!



**REVERE COPPER AND BRASS INCORPORATED**

*Founded by Paul Revere in 1801*

*Executive Offices: 230 Park Avenue, New York 17, N.Y.*

## Southern California



### THIS BUSINESS TRIP SENDS YOU HOME FEELING YEARS YOUNGER

**Purely for business reasons** you often must have thought about taking a Southern California trip. The Los Angeles market, for instance, now ranks third in the U.S. in retail sales—and gains 15,000 new residents a month.

And, combined with business, think what Southern California the *vacation-land* could mean to you right now.

Imagine exchanging dreary winter and the old business routine for our sunny skies, our palms and orange groves. What a lift you'd get out of exploring Hollywood...watching the world's fastest horses run...strolling white beaches beside the blue Pacific...and melting your tensions away on our warm and colorful deserts!

Actually, a Southern California trip pays for itself *twice*—an investment in

**ALL-YEAR CLUB OF SOUTHERN CALIFORNIA.**  
*This advertisement sponsored by the Los Angeles County Board of Supervisors for the citizens of Glendale, Hollywood, Inglewood, Long Beach, Los Angeles, Pasadena, Pomona, Santa Monica and 182 other communities.*

your company, an investment in yourself. And what better time than now, when you most need to relax and renew yourself? You're sure to feel *years younger* on return—able to think better, work better and get more done.

*Why not plan your trip right now?*

**COLOR MAP.** Official Sightseeing Map of Los Angeles County, all Southern California, 22½" x 25". Traces routes for tours, locates 645 sights visitors enjoy. Free—mail coupon.

All-Year Club of So. California, Div. 2-H-1  
629 South Hill Street, Los Angeles 14, Calif.  
Please send me free Color Sightseeing Map.

Name \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_

State \_\_\_\_\_

PLEASE PRINT NAME AND ADDRESS

*... music publishers admit that disc jockeys run the record business . . .*

**DISC JOCKEY** starts on p. 86

music that is currently popular but also music that has been popular through the last 25 years.

He is especially careful to make a smooth transition from one kind of music to another. In going from hot to soft music, he can do it in two or three records by a careful selection ahead of time. That way, he won't, for example, give a musical jolt to his housewife listeners when they take a coffee break at 9:30.

Not all disc jockeys share Larson's sense of mood. Pittsburghers who shave, squeeze oranges, and dress the kids through Rege Cordic's wake-up show on KDKA are beset by such characters as Carmen Monoxide, an incorrigible punster. One staunch Cordic fan explains why: "My wife and I don't talk in the morning. We listen to Cordic through breakfast. Then, driving to work, my neighbor who rides with me keeps his big mouth shut. So this Cordic kid is good morning therapy for me."

• **Updating the Commercial**—Though Larson's spiel may be less jangling to his listeners' nerves, the four hours he spends on the air are frantic—for Larson, at least. Even after he starts broadcasting, he rewrites much of the prepared commercial copy to keep it current. If the weather changes to snow that morning, he may tie that in with the auto tire commercials. While the records are spinning, he answers phone calls from business associates and fans. During the 5-min. news break at eight—which is handled by an announcer—he shaves. At nine, he switches from casual sports clothes to a business suit.

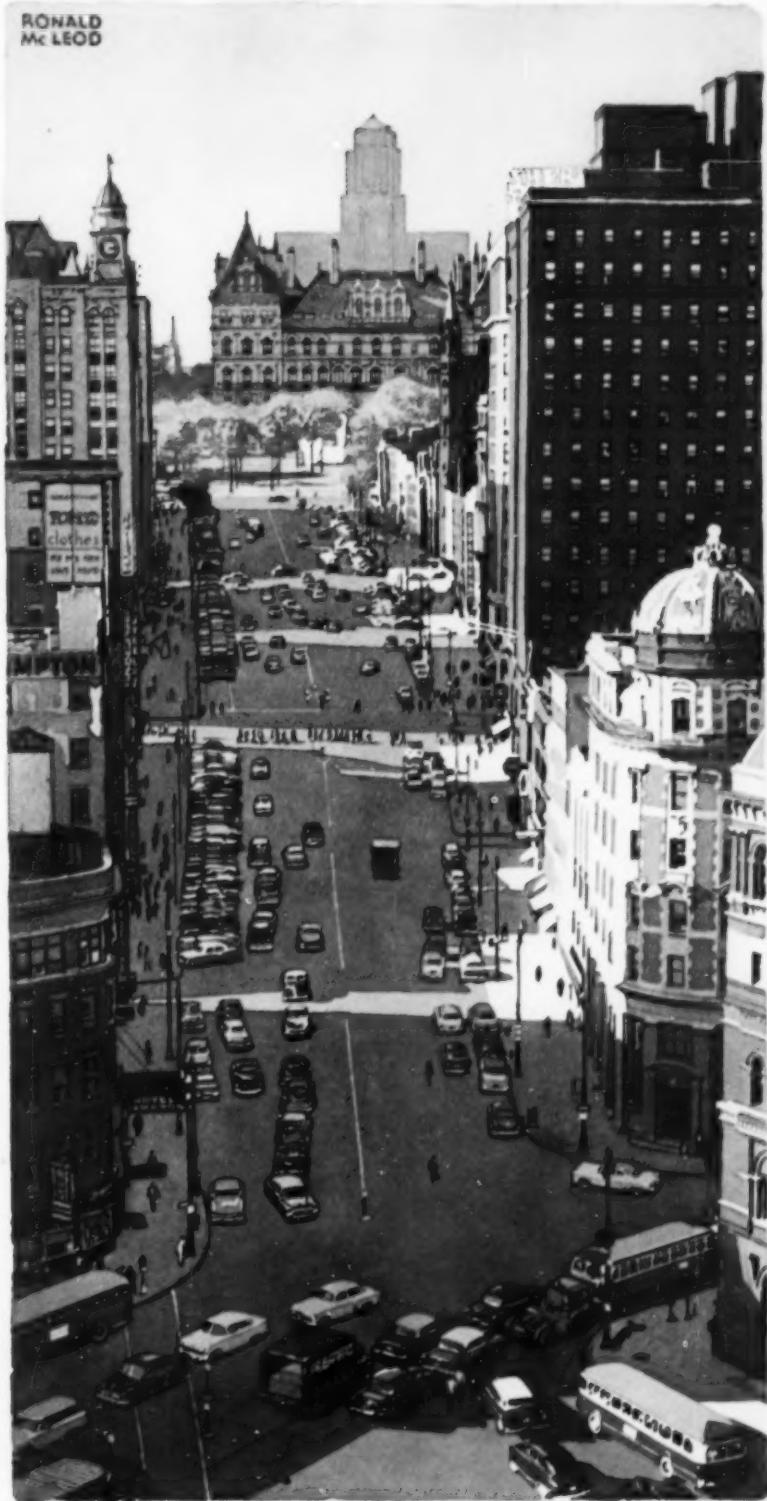
• **Songs for Sale**—After that, the record and song pluggers start dropping in, gesturing at him through the studio window, and holding up records they'll want him to play. But until Larson finishes his broadcast, the record pushers are on pins and needles. All of them know how much weight the disc jockey throws in the record field. A platter spinner with a big following—such as an Art Ford or a Bill Randle—can skyrocket a new song to fame, even push it into the Hit Parade in a matter of days.

Most music publishers, in fact, readily admit that disc jockeys run the record business.

According to Larson, this is one point where a disc jockey has to play politics. "Each wants you to push his

# "UPSTATE, N.Y."

RONALD  
MC LEOD



WOULD YOU like to locate a factory to get fast, cheap distribution . . . outstanding research facilities...highly skilled labor? Would you like to set up offices to serve rich markets you now miss?

Come to Upstate New York's Tri-City area of Albany, Schenectady and Troy. This thriving manufacturing and trading area offers a complete choice of transportation: railroads, airlines, the Barge Canal, the new Thruway and the deep-water Hudson River.

The area bustles with atomic and electronic research activities. Its universities are famous for engineering and science.

And throughout "Upstate, N. Y." you'll find plenty of low-cost electricity and natural gas. For more about successful "Upstate, N. Y.", write Earle J. Machold, President, Niagara Mohawk Power Corporation, Syracuse, N. Y.



Typical of the thriving, busy cities of Upstate New York is Albany, the State Capital (left). More and more firms are expanding in Upstate New York. One of many reasons is the new Thruway which flows through the heart of the Niagara Mohawk System.

**powered by**  
**NIAGARA**  
**MOHAWK**

NIAGARA  MOHAWK

LEADING IN BASIC CHEMICAL MANUFACTURING FOR 35 YEARS AND NOW

Arcadian®  
FERTILIZERS

caprolan  
DEEP DYE NYLON

PLASKON®  
RESINS

MUTUAL®  
CHROMATES



SOLVAY®  
CHLOROMETHANES

genetron®  
AEROSOLS &  
REFRIGERANTS

NATIONAL®  
DYES

AC Polyethylene

#### BARRETT DIVISION

For over a century the Barrett name has been the first in roofing. Today Barrett's trademark covers a host of other products—from Naphthalene to Niacin to Nylon Molding Resins of the growing PLASKON line.

#### GENERAL CHEMICAL DIVISION

Famous as a dependable source of supply for sulfuric acid and other heavy chemicals, as well as its BAKER & ADAMSON line of laboratory reagents, General has hit a new stride with GENETRONS for aerosols and refrigeration.

#### MUTUAL CHEMICAL DIVISION

Principal American producer of chromium chemicals, Mutual is constantly broadening the fields of application for these versatile products. Mutual has a number of new chromium compounds under evaluation now by industry.

#### NATIONAL ANILINE DIVISION

Long a leader in dyes, certified food colors and coal-tar chemicals, now introducing caprolan, the deep-dye nylon, and entering the fast-developing field of organic isocyanates—source of polyurethane products for improved synthetic rubbers, plastics, adhesives and surface coatings.

#### NITROGEN DIVISION

World's foremost producer of fixed nitrogen in its many forms, offering a wide line of ARCADIAN fertilizers and feed mixtures for profitable farming. Last year this Division added ethylene oxide-glycols to its line and, more recently, ethanolamines.

#### SEMET-SOLVAY DIVISION

First in merchant coke production and long established as a builder of Wilputte by-product coke ovens, Semet-Solvay is winning new customers with its A-C POLYETHYLENE for use in coatings for food cartons and paper, in printing inks, waxes and polishes.

#### SOLVAY PROCESS DIVISION

Long-established leader in alkali production, Solvay has found new markets with its line of chlorinated methane products, and will soon be offering a new process hydrogen peroxide.

## KALEIDOSCOPE OF NEW AND BETTER PRODUCTS FROM ALLIED CHEMICAL

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Even from the quick run-down given here of Allied Division activities, it's clear that Allied Chemical is many-faceted—both diversified and strongly integrated. All told these seven Divisions turn out more than 3,000 products. For over 35 years, Allied's list of "Chemicals Vital to American Progress" has been growing longer—and the products have kept growing better.

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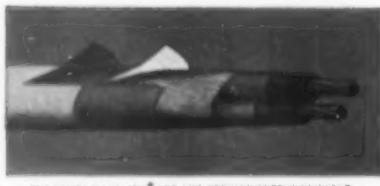
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**THE PROBLEM:** The thirty-year electric appliance boom is running into a snag—warns the National Adequate Wiring Bureau. Most houses and apartments were built with relatively small electrical requirements in mind.

Already, 50% of the people in some areas who want air conditioners can't buy them because their wiring is in-

adequate, one expert estimates. The sale of freezers, ranges, water heaters and other appliances is being slowed.

**THE SOLUTION:** New homes built under the adequate wiring code of the National Association of Home Builders provide at least 100-ampere cable into the home—and adequate inside circuits. In older buildings—the answer is rewiring.

Anaconda, for its part, is helping meet modern wiring needs with new and better wires and cables: notably, a new 100-amp service entrance cable, big enough to run a whole houseful of appliances.

**THE FUTURE:** Adequate wiring in homes, apartments and commercial buildings will mean more business and better living for everyone. And this is only one way Anaconda and its fabricating companies—Anaconda Wire & Cable Company and The American Brass Company—can serve you with the broadest line of non-ferrous metals and products in the world. For help with your problem, check the *Man from Anaconda*. The Anaconda Company, 25 Broadway, New York 4, N. Y.

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**BREAKFAST** at the Larsons' is scheduled for 4 a.m. To speed things up, Larson skips shaving, manages to sandwich it in at the studio between commercials.



**BROADCAST OVER**, Larson feels he could use a nap. Usually, however, he goes directly to an appointment, or has a conference with his manager, Randall G. Taylor.

record. You don't want to get anybody mad. But it always boiled down to what the public wants." Larson listens to each plugger's new record and sales pitch, and manages to commit himself in a noncommittal way. He listens carefully for new records "that sound like they might get big" in an effort to be among the first to spin the biggest. Larson scooped the nation with Kay Starr's Rock and Roll Waltz, by getting an advance copy of this high-flying record.

• **Local Product**—Larson is one of the few disc jockeys who have managed to straddle the hurdle between radio and TV. Larson has had a weekly television show for children on one of Milwaukee's very high frequency channels. He has also been on several network radio

shows for CBS in New York, and appeared twice as a panelist on the former television show Songs for Sale.

Most networks, however, recognize that the disc jockey's real value is in local advertising markets, where he can blend his personality with the flavor of the community. Back in 1947, American Broadcasting Co. tried to sell Paul Whiteman as a national disc jockey. The show—pioneer in the disc jockey field—rolled up \$5-million worth of advertising. But when the novelty wore off, housewives reverted to their soap operas, and the rating fell so low that ABC discontinued the show after a year. Currently, the network is featuring Martin Block, but, according to the company, while the listenership is good, the show isn't a moneymaker. **END**

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COMPANIES



# An Empire of Gas Has to Expand Fast

**Tennessee Gas Transmission Co., taking expansion for its watchword, has grown in little over a decade from an idea to a far-reaching \$850-million domain. Now, having just pushed across the Hudson to New York (left), it is bidding for a Midwest link to Canada (below).**

Even before Tennessee Gas Transmission Co., of Houston, has caught its breath from its dash into the New York City market—the biggest potential gas market in the world—it is off and running on a complicated Canadian-U.S. buy-and-sell deal. It is reaching across the border for a stake in Canada's big pipeline project—the most ambitious ever, both in over-all length and cost.

It was only a few weeks ago that TGT's 24-in. gas pipelines (pictures) snaked across the Hudson River on their way to New York. And just about

then, TGT was landing an option on close to a one-third interest in Trans-Canada Pipe Lines Ltd.—on top of its agreement to build a Midwestern link (map) with the Canadian system.

The whole Canadian project awaits only U.S. Federal Power Commission O.K. for this link. FPC has set hearings next month. But as in some earlier TGT expansion moves, there's a hot competitive battle involved with some 100 intervenors, most of them violently opposed to the company's proposal.

• **Fast and Far**—The one-two New

York-Canada punch is typical of the fast action that has brought TGT farther faster than any other major pipeline system. As an industry man puts it, you have to "look in all directions at once" to see what TGT is doing at a particular moment.

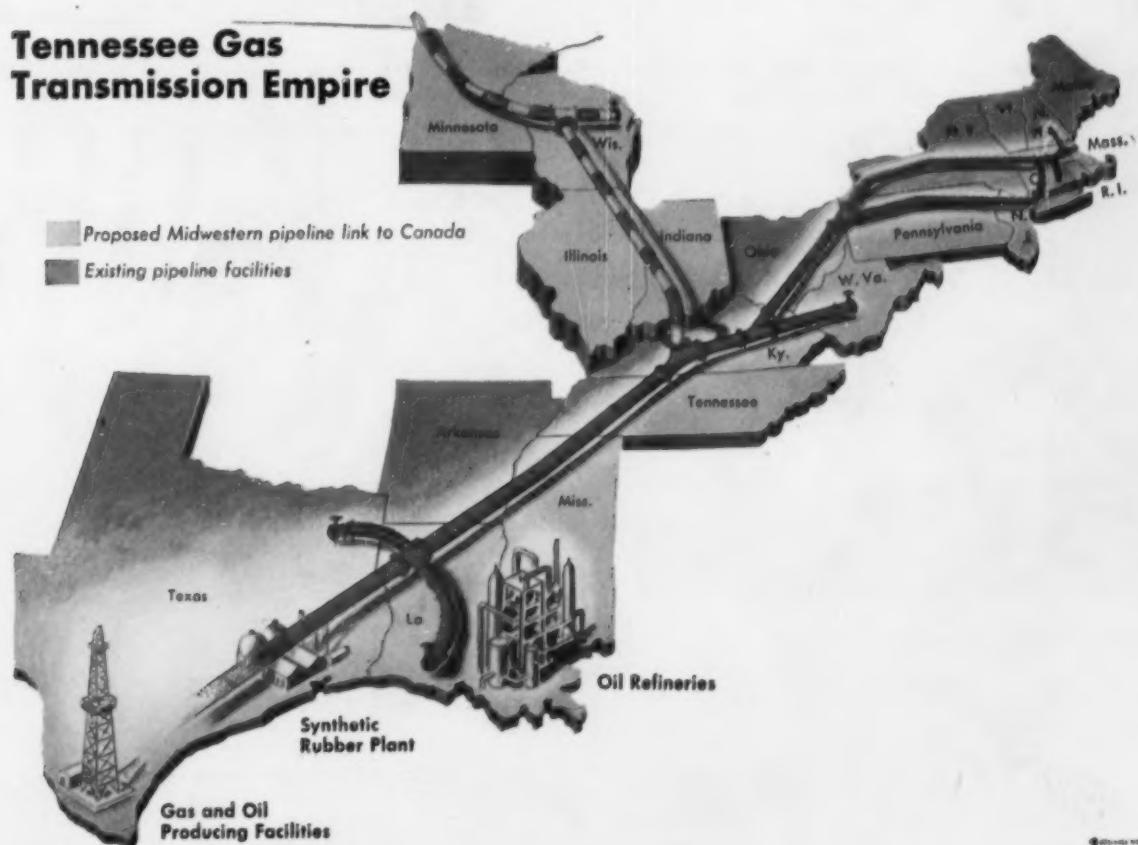
When Gardiner Symonds (cover), now TGT's president, first hit Houston one September midnight in 1953, TGT was little more than an idea and a hope—an idea that had been floundering around for some three years. The company began operations about a year later, with 1,265 mi. of pipeline and a 200-million-cu. ft. capacity per day.

Eleven years after that start, TGT wound up 1955 with assets of more than \$850-million. The pending Canada deal alone involves almost twice the amount of TGT's original capitalization. Today, the TGT system can deliver 1.7-billion cu. ft. a day—not counting underground storage capacity. Even without the Midwestern link to Canada, it will have more than 10,000 mi. of pipe by yearend. Net profit for 1955 is estimated at about \$30-million.

## I. Road to New York

Tennessee Gas Transmission has come so far so fast by keeping its sights always focused at least a couple

### Tennessee Gas Transmission Empire





**TENNESSEE GAS TRANSMISSION CO.**'s pipeline had to ford the 1½-mi.-wide Hudson to reach New York market. Pres. Gardiner Symonds (above, left), with S. D. Bechtel, head of Bechtel Corp., contractor, watches happily as 860-ft. sections of pipe are stacked up (right) to be rolled one after another into river. Operator in booth at right directs activities on both sides of river.

1 On west bank, pipe sections roll toward river on dollies (Collins Construction Co. is subcontractor).



### Story starts on page 96

of years ahead of its pipelines, and by constantly keeping a number of expansion moves—both "lineal" and lateral, into other related activities—going at the same time. It has also followed the policy of going out actively after markets along its line of growth—markets that competitors often thought they

had sewed up. TGT makes no bones about moving into someone else's territory as long as it thinks there is a market for its gas there.

• **Pioneer**—TGT's original pipeline from Texas to West Virginia was a pioneer: It was the first long-distance transmission line to carry natural gas



2 Pontoons are lashed to pipe to keep it from dragging on bottom; later they'll be cut so pipe can settle down slowly.



from the Gulf Coast area to the heavily industrialized Appalachian area.

The promoters who incorporated the company in 1940 were aiming at a line from Louisiana to Tennessee, but they couldn't get to first base either with financing or a gas supply. Chicago Corp., with Texas gas reserves looking



**3** From opposite bank, a pulling winch drags pipe sections into river. As rear of each section nears river, it halts and next section is welded and concreted to it.



**4** On west bank, finished pipe held by pontoons slides down cut in cliff.



for a market, took over a 90% interest, got a \$44-million RFC loan, and built the line to West Virginia. Then, fearing that ownership of a pipeline invited federal control, it sold out.

Chicago Corp. made \$3.8-million on the sale, but lost a vice-president—Gardiner Symonds, who was fanned out

by Chicago Corp. to head up TGT; but chose to remain as TGT president when Chicago sold out.

• **On the Way**—Symonds lost no time getting the company started on the expansion road. He had his eye on getting into the lucrative metropolitan Northeast via the northern route—

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through New York State and New England. When the government put the Big Inch and Little Inch pipelines up for sale Symonds put in a bid, but Texas Eastern Transmission Corp. won—thus giving TGT its first competition on the Southwest-Northeast run.

TGT's northern route got it to New York by these stages:

- First step was to provide "loops" (parallel pipes) to the main line, and additional sources of gas.

- Then a third parallel line took TGT into Buffalo and northern New York State.

- As far back as 1947, even before it hit Buffalo, TGT announced its intention to "invade" the New England market. This brought on a major battle, the first of many in TGT's expansion. Some New England interests formed Algonquin Gas Transmission Co. to fight the bid of TGT's Northeastern Gas Transmission Co. TGT had an additional adversary when Algonquin let Texas Eastern in for a one-third interest.

The battle, raging for three years through New England legislatures and the FPC, ended in June, 1953, in a compromise, with each side getting about half the New England market. In the trade, however, TGT got something for the future, too—the right to build a line to Canada, at Niagara, to serve Toronto (the Canadian dream was forming).

- On to the Sea—At this point TGT found itself close to the metropolitan New York market with lines in New England and northern New York State. However by this time, a new pipeline company, Transcontinental Gas Pipe Line Corp., was already well entrenched in the city (with Texas Eastern on the fringes). But Symonds' credo is that if somebody wants gas, there's no reason why TGT shouldn't provide it. He was aware the big New York distributors were in the market for additional gas—and sent his men into the heart of Transco's territory to talk to its customers. The battle was on (BW—May 15 '54, p188) with Transcontinental as TGT's major opponent.

TGT wound up the winner, although it had to settle for less than the full loaf.

It got 75-million of the 90-million cu. ft. it had applied to FPC for. Transco got the other 15-million, plus additional amounts the distributors had meanwhile requested. The important thing as far as TGT was concerned though, was that it got into the lush New York market.

- Storage—During all this time, TGT had been building at a furious rate. But entry into the New York market brought a new need: enormous reserves of gas to meet peak demand.

So TGT, with other partner com-

panies, acquired thousands of acres of depleted gas fields in the Hebron (Pa.) and Buffalo (N. Y.) areas, and put them in shape for underground storage of excess gas coming through the lines in summer (BW—Sep. 3 '55, p102). First supplies of this stored gas were delivered this winter.

## II. Canada, and the Tidelands

Ignoring comparatively minor—and routine—expansions, the opening of 1956 finds TGT juggling three giant-size balls at once:

- The finishing touches on its New York expansion.

- The Midwestern and Canada project.

- A bold move along the Gulf Coast of Texas and Louisiana—the "Muskrat line"—to cash in on the tidelands development with its vast gas fields as well as oil reserves.

In the battle over the Midwestern-Canada project, TGT is facing bitter opposition, and the biggest challenge of its corporate life.

- Missing Link—U.S. companies get into the Canada picture for two reasons: (1) to fill, at least temporarily, a missing link in transporting Alberta's store of gas 2,250 mi. across a continent to eastern Canada; and (2) to find a new supply to feed the gas-hungry north central states, particularly Minnesota and Wisconsin.

The weak link in the Trans-Canada Pipe Lines project is the uneconomic middle section across the northern Ontario wilds (BW—Sep. 10 '56, p26). Construction of this link by a provincial and Dominion government corporation has now been agreed on—but it cannot be completed before the end of 1957, long after the eastern and western sections. Meanwhile, there are the U. S. north central states, eager to make use of Alberta's booming gas supply.

- Head-On—Here, as in New York, TGT is invading someone else's province. Northern Natural Gas Co. of Omaha, which has been serving much of the north central area, got a contract with Trans-Canada to buy 100-million cu. ft. of gas a day at the Manitoba border, and applied to FPC to extend its facilities in the north central area. When the contract lapsed because of Trans-Canada's financial difficulties over the middle section, Northern renewed its FPC application on the basis of alternate sources of supply.

TGT, with an eye out to expand its empire into the Midwest as well as tap a new gas source, contracted with Trans-Canada to buy at least 200-million cu. ft. of gas daily—and at the same time, to supply Trans-Canada with up to 87-million cu. ft. daily at Niagara for the eastern Canada markets. (Since 1954, TGT has been selling gas at Niagara to

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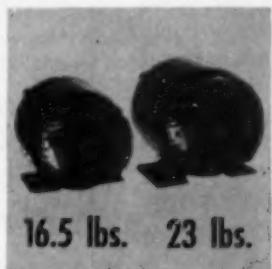
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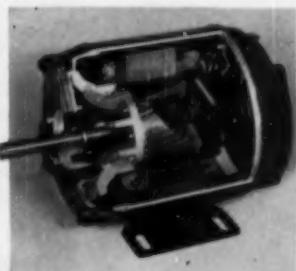
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engineering — Weight savings up to one-third are made possible without "skimping" on the vital "active materials", simply by eliminating dead weight and using new materials. The result is smaller-diameter motors that are not merely "just as good" but actually superior to the famous Century "56-Frame."



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Consumers Gas Co. of Toronto.) Then TGT marched into the north central area, armed itself with "letters of intent" to buy gas from nearly 100 communities, and applied to FPC to build (through Midwestern Gas Transmission Co.) the new pipeline from Canada to Tennessee, and to supply the area with gas from Canada, plus 200-million cu. ft. a day from Nashville.

• **Part Owner, Too**—TGT didn't stop at the buy-and-sell agreement with Trans-Canada. In November, it agreed to buy an interest in Trans-Canada equal to that of each of the two original groups—the Canadian group and the Clint Murchison group. This will give TGT just short of one-third interest, up to the time of public financing. The deal puts TGT in an excellent spot regarding future supplies of Canadian gas for its own needs; and Trans-Canada gets advantage of TGT's name and credit in getting pipe in a tight steel market.

• **Storms**—But before the project becomes reality, both it and TGT will have to weather heavy storms in Canada and Washington. Some Canadians are up in arms over U. S. influence in a Canadian project.

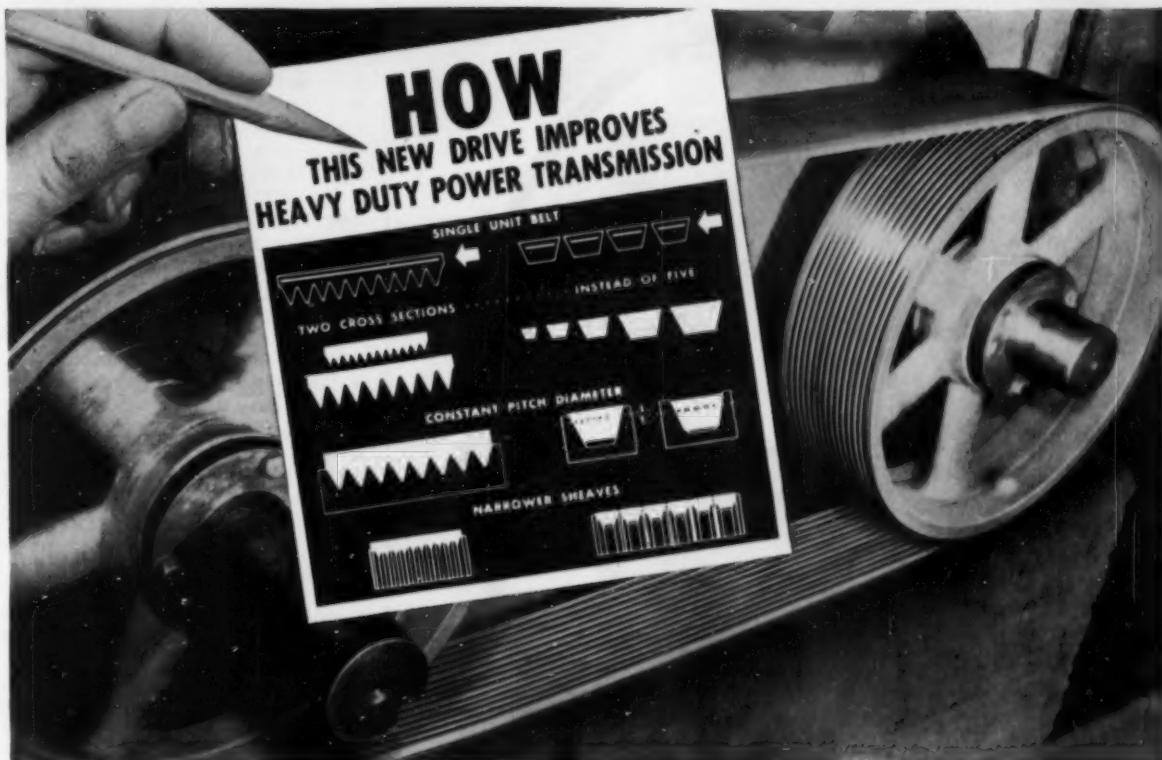
In Washington, TGT faces opposition not only from Northern Natural—which claims a new pipeline in the north central area is costly and not in the public interest—but from dozens of intervenors. The list reads like a who's who of the pipeline industry, such as Michigan-Wisconsin Pipe Line Co., American Louisiana Pipe Line Co., and Texas-Illinois Natural Gas Pipeline Co. Opponents also include coal carrying railroads, and anti-import groups among U. S. oil and gas producers.

• **Offshore Oil**—TGT's Midwestern-Canadian project is still in the battle stage. In contrast, the big new development at the other end of the TGT empire—the Gulf Coast "Muskrat line"—will soon be in full operation. One big function of a transmission company is to sew up sources of gas. The multimillion-dollar, 370-mi. Muskrat line was planned to draw on the hottest potential production area remaining in the country—the tidelands. Its route is along the coast from Texas to the Mississippi delta.

With undersea pipelines operating or planned right through offshore areas (BW—Nov. 26 '55, p31) TGT may not get the lion's share of the offshore market, as it had hoped; but it has enough suppliers committed for 20 years to assure success.

### III. Dreamer and Salesman

Gardiner Symonds, the man who has guided TGT on its 11-year stride from crawling baby to lusty giant, has a prescription for growth. He says he



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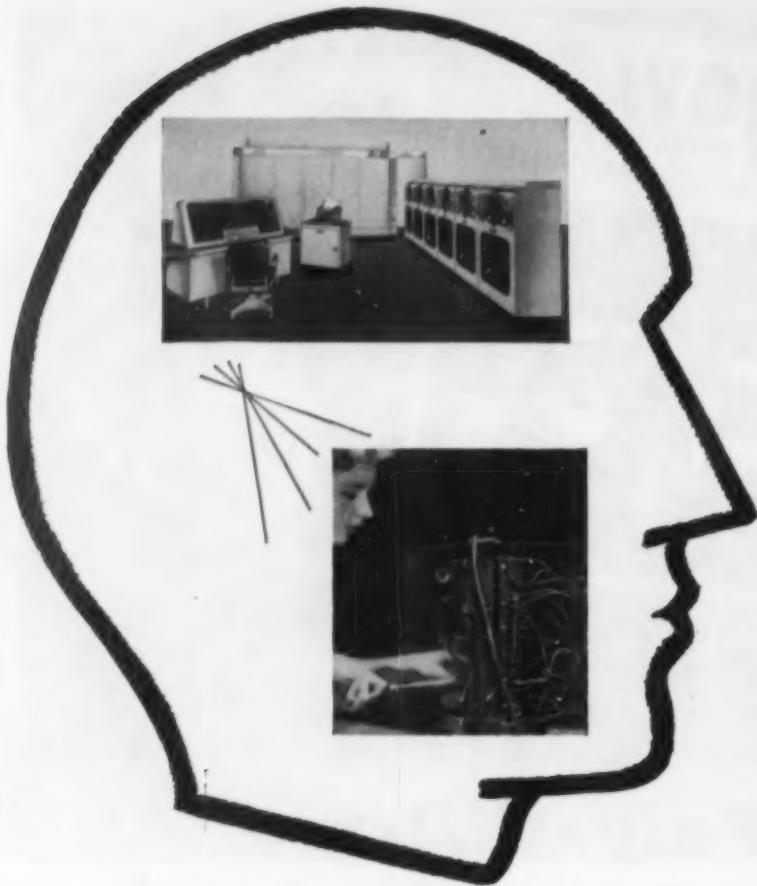


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spends about half of each month "on promotion, trying to figure out new things to do, things to get started, new ideas to think about, properties to buy, just broader business or broader concepts of business." About one-sixth of the time he spends on financing, the other third on administration.

It's probably this part-time dreaming, more than anything else, that keeps the TGT management fast on its feet, always moving ahead. (One of his opponents in the Midwestern-Canada deal has a more cynical explanation of the fast footwork; he says TGT has to run to keep from falling on its face.)

• **Boss**—Despite the relatively short time he gives to administration, there's no doubt around TGT that Symonds is boss. And though he dreams, his dreams have a practical tone; the criterion is always, "Will it make money?" Among the businessmen he deals with he has the reputation of being a hard-driving (a 16 hour-a-day work load is a frequent thing) executive, with a photographic memory, a vast knowledge of statistics, and an ability to make facts work for him.

Symonds' quick grasp of finance (he has gone to the market for \$1-billion in 11 years—and has returned with it) comes from his daily banking experience. He's also, his associates say, a master salesman when it comes to "selling" a deal that he's convinced about.

• **Pipe Borrower**—Symonds' drive to get things done coupled with a trader's knack led him into a number of "pipe borrowing" deals in the postwar years when materials were tight and slow. In such deals, one company would borrow pipe it needed for building, agree to pay it back in, say, two years. If the price went up, of course, that was the borrower's tough luck. TGT borrowed pipe seven times, made money in five—for a net profit of \$2.5-million.

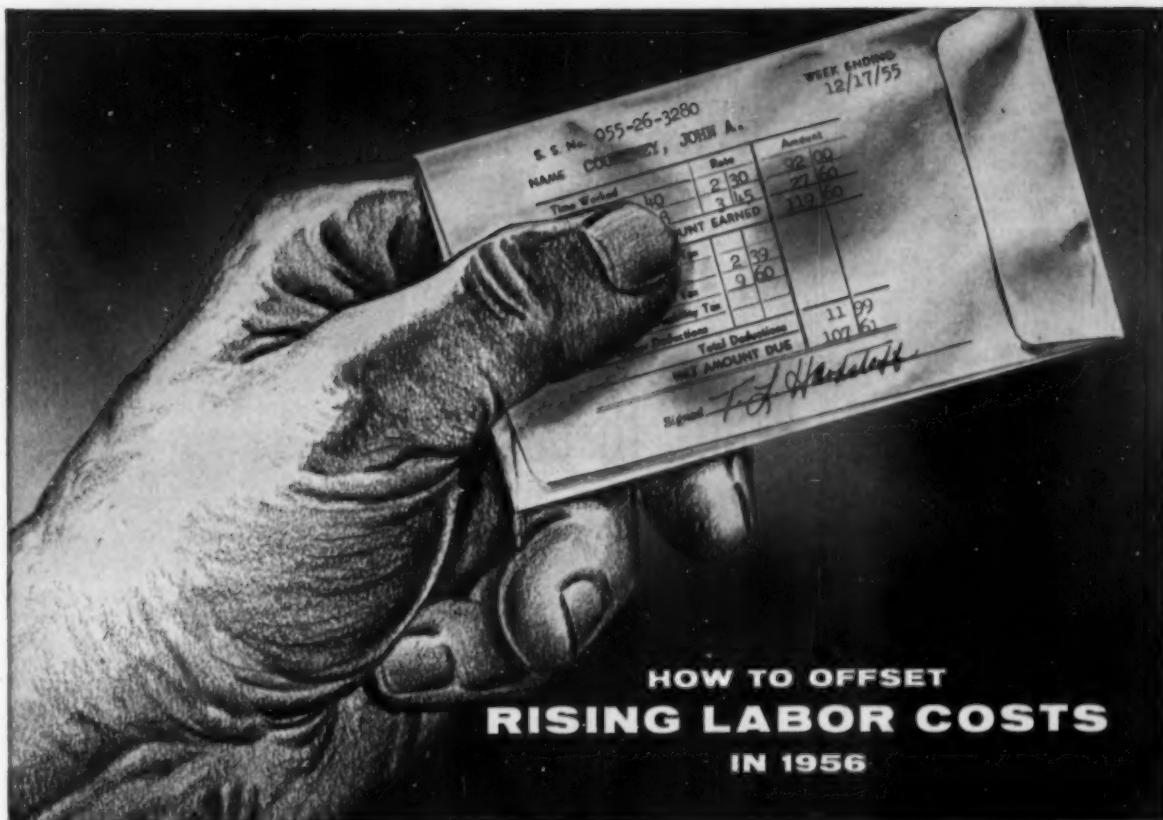
For his efforts Symonds gets paid handsomely—\$100,000-a-year salary plus various other carrots. He is now the largest individual holder of TGT stock—though TGT employees as a group hold more.

### IV. Beyond the Pipeline

TGT was born with a pipeline in its hands, and it's still 90% in the transmission business. But it has branched out along the way into a number of more or less related fields—and officials say the 10% in these will grow in five years to 20%.

• Last year TGT got into the petroleum refining and marketing business by buying (for about \$20-million) the assets of Bay Petroleum Corp. of Denver. The deal got it two refineries.

• TGT's interest in oil and gas producing properties goes back to 1946. Production is now a \$35-million busi-



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ness, which helps sweeten TGT's tax and profit picture as well as give it leverage in bargaining with gas producers over long-term supplies.

• TGT built a \$34-million plant at Gabe, Ky., to refine propane, ethane, and other hydrocarbons out of its gas, and built a 65-mi. line to Brandenburg, Ky., where Mathiesen Hydrocarbon (now wholly owned by Olin Mathiesen Chemical Corp.) uses the liquid hydrocarbons to make anti-freeze and other products.

• Last year TGT and Food Machinery & Chemical Corp. joined to form Petro-Tex Chemical Corp., to operate the Houston butadiene plant, bought from the government for \$24-million.

• Farthest from the pipeline is Tennessee Life Insurance Co.—though it's linked to the main line by providing all of the retirement coverage available to employees of TGT and associated companies. The insurance company, formed in 1953, already has \$52-million insurance in force. It also owns two Houston office buildings originally owned by another subsidiary, Tennessee Gas Building Corp.

### V. A Giant Looks Ahead

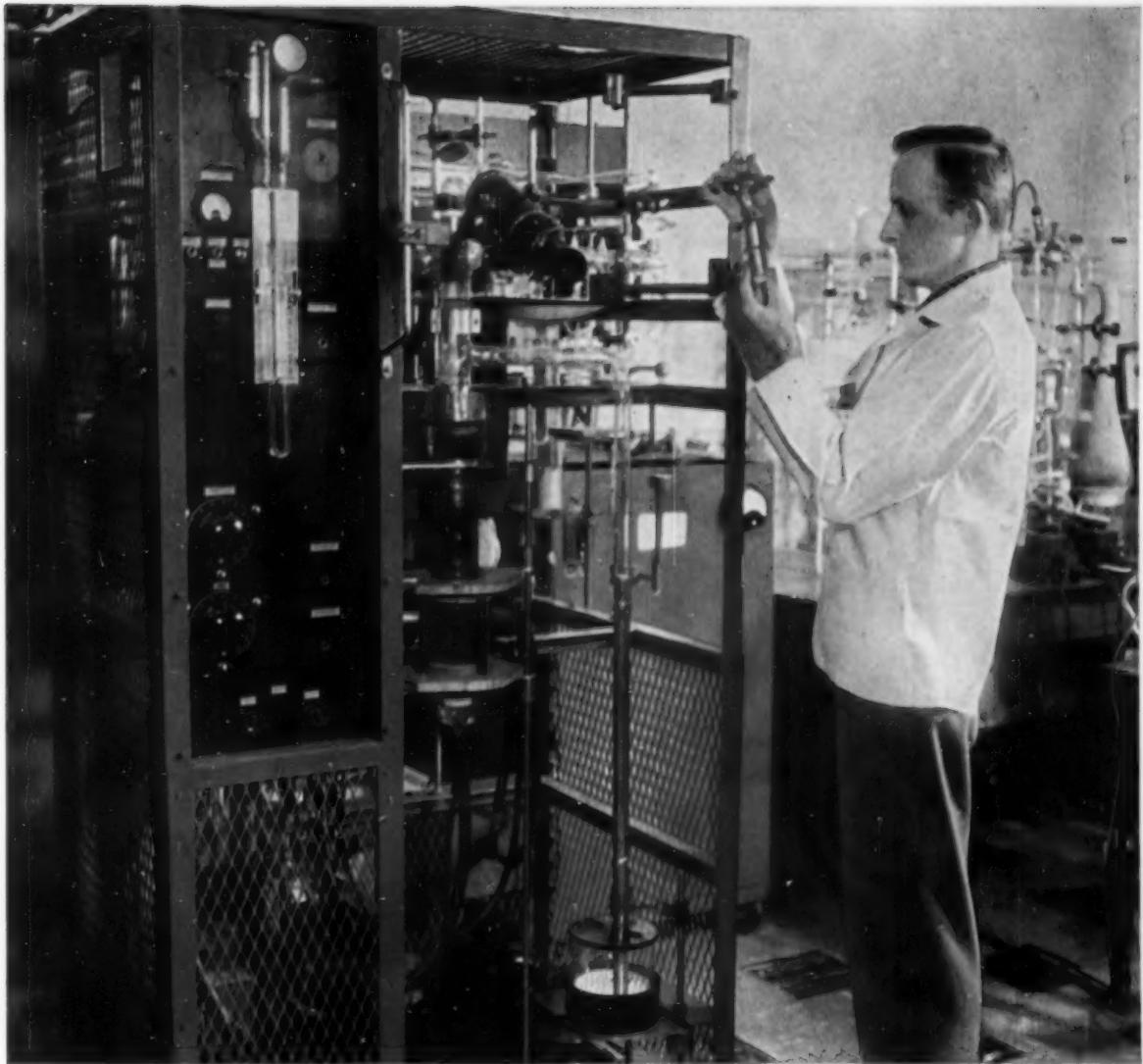
TGT has come a long way in 11 years, and it's a powerful factor in the natural gas industry—but not the only big one.

The 505.6-billion cu. ft. of gas TGT sold and transported in 1954 came to nearly 6% of all the natural gas marketed in the nation. In 1955, it jumped to some 543-billion cu. ft.—but the statisticians haven't got around yet to figuring relative standings for 1955.

On the basis of 1954 figures, TGT stood first among 15 major pipeline companies in the number of common stockholders—second in installed compressor horsepower, third in peak-day sendout, fourth in operating revenues. Its net income for 1955 may well exceed that of any other transmission company.

• **From Here Out**—Aside from developing the Midwestern market—if its FPC plea wins—TGT isn't thinking for the present of invading further fields. Symonds talks these days mostly about "growth in depth"—that is, greater saturation in the areas he has.

On the two major bugaboos growing out of atomic power and diminishing gas supplies that hover over the pipeline industry, Symonds is little worried. Basically, he thinks, energy requirements are growing so fast that we will need all the additional power the atom can provide—and the gas business will continue to expand, too. And he feels gas drilling and discoveries will more than keep pace with production. **END**



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# In Commodities

## New Defense Strategy Cuts the Need For Stockpiling Vital Materials

Strategic stockpile goals may be cut back. The National Security Council is studying the question now.

Current stockpile goals are based on estimates of requirements for 75 materials during a five-year war. The proposal to cut the goals is in line with Washington's recent shift away from preparing for a long war (BW-Dec. 3 '55, p30); estimated requirements for stockpile materials would be cut down to three years or less.

As things stand, the stockpilers have already met or have almost met all but a half-dozen of the current goals. Stockpile buying has been dropping steadily over the past two years; the new budget shows another 50% slash in expenditures.

While NSC officials admit that objectives may be cut, they're mum on specific details of what this would mean. Observers guess, however, that—aside from an even more drastic cut in spending—a cutback would bring a more liberal policy on diverting, or perhaps even withdrawing, metals and other materials from the stockpile.

## Coin-Flip in Livestock Sales Draws Agriculture Dept. Frowns

Omaha livestock dealers are involved in what is coming to be known as "the case of the coin flip."

The dealers are banded together in the Omaha Livestock Traders Exchange. A key provision of exchange rules is that, when two or more members want to buy the same lot of livestock from a seller (usually represented by a commission firm), they flip a coin to decide the order in which they look at and bid on the cattle. Though he doesn't have to, the seller often accepts the first bid.

Recently, the Dept. of Agriculture issued an order of inquiry against Berigan Bros. Livestock Co. (a commission seller) and eight dealers. The order charged that Berigan Bros. favored the dealers in accepting bids, to the exclusion of non-members of the exchange, such as farmers or feedlot operators.

**Coin-flipping came in as a key part of the complaint.** Agriculture charged that this, too, hurt competition and that Berigan Bros., in addition to discriminating against certain potential bidders, was restricting the market still further by going along with the coin-flipping setup.

**Essentially, Agriculture wants the seller to decide where he can get the highest price, not to let the buyers decide on the basis of a coin flip who should buy.** The coin flip, Agriculture feels, deprives livestock producers who entrust their cattle to a commission firm for sale of a free, open, competitive market.

Says August E. Ruser, exchange president: "Coin-flipping is used at all major livestock markets; its alternative is chaos. The Dept. of Agriculture thinks we should

allow everyone to flip a coin with us, but our rules are binding only on our own members. The seller can do business with anyone he wants to."

Ruser's rebuttal went to Washington last week. Next step, if Agriculture continues the case, is an oral hearing.

Meanwhile, members are still flipping coins.

## Newsprint Demand to Rise 76%

### In Next 25 Years, Producers Say

The Canadian Pulp & Paper Assn. has taken a long forward look at newsprint requirements in the U.S. In a series of projections submitted to the Royal Commission on Canada's Economic Prospects last week, it forecasts a 76% increase in U.S. newsprint consumption by 1980.

This is the most conservative of its estimates, based on the recent trend in number of pages printed (circulation multiplied by average size of papers) per adult.

Another set of projections links the growth in advertising expenditures to an estimated doubling of gross national product by 1980. Maintaining the current average editorial ratio (60% advertising, 40% editorial material), and allowing for increased circulation from the growth in population, this would mean a 216% increase in newsprint needs by that time, instead of the 76% actually predicted.

But, says the association, newspaper publishers are too wise to let this happen. If papers ever got that big, there would be far fewer papers sold. So . . . "Advertising space in newspapers will have to be rationed in terms of size to avoid serious infringement on circulations; the dollars available for newspaper advertising will have to be used to purchase smaller areas of space, and the newsprint requirement will be less than it would be at present space rates."

## Commodities Briefs

New sugar legislation is in the cards this year. Main effect will be to give domestic beet and cane producers a bigger share of the U.S. market, leaving a smaller share for foreign countries (chiefly Cuba). Biggest question still is how to split the foreign quota.

**Heavy fuel oil supplies** are very tight. Last week, Defense Mobilizer Arthur S. Flemming hinted that the formula for "voluntary" import cutbacks might be eased. He asked importers for information on "any additional imports of residual" that they might be planning in order to meet the demand.

The Tennessee Valley Authority's steam plant at Kingston, Tenn., the world's largest, is eating into its reserve coal stockpile. The plant, which supplies atomic facilities at Oak Ridge, uses 14,000 tons of coal daily, is receiving only 10,000 tons from mines. TVA officials say this is because needs are increasing so fast; new mines haven't yet reached full production. The Southern Appalachian Coal Operators Assn. charges that fuel shortage is due to a low price policy of TVA—that the larger unionized mines can't make a profit selling to TVA.

# When Employee-Owners and

The day was June 7, 1952. Cincinnati's staid Old Lady of Vine Street came rolling off the presses, bearing atop its front page a quickly etched special masthead that showed a group of happy little people cavorting through the curlicues of the dignified type of the Cincinnati Enquirer.

These little people represented the newspaper's own employees. They had just won a bitter battle to keep their newspaper from being swallowed up by the Cincinnati Times-Star.

For weeks, they had been facing the prospect of another of journalism's funerals, last-day vigils. But now they were shareowners in their own going concern. By mortgaging their homes, and through the good graces of a patient judge, a Chicago investment banker, and a generous friend they had kept the Enquirer alive.

This week, four years later, the Old Lady of Vine Street was rolling faster than ever out of the presses. It was richer, more prosperous. Its circulation and advertising revenues were soaring. Profits were at the all-time high of \$466,400 for fiscal 1954-1955, and they were still going up.

For all that, the Enquirer was a sadder sheet, tattered and torn by months of internal wrangling and by the results of an annual stockholders meeting, held last week, at which little room for peace on past issues was found, and only new fields for bickering came to light.

• **Civil War**—The wrangling that has

plagued the Enquirer for months involves the newspaper's management and a large group of its employee-owners—some say 50%, some more.

The dissidents have rallied around James H. Ratliff, Jr., a board member and former Enquirer columnist, and John Cronin, the paper's former city editor. These two played substantial roles in the campaign, led by the Committee to Save The Enquirer, to keep the paper from death in 1952. Now the dissidents are calling themselves the Committee to Save The Enquirer—Again. Ratliff and Cronin were fired last month by publisher Roger H. Ferger after they charged that the management was trying to seize control "for its own purposes."

• **Mostly Stalemate**—That was the situation when the Enquirer's stockholders met last Tuesday at Cincinnati's Hotel Sinton. When it was over, both sides could claim only partial victories.

On management's score card were:

- Reelection to the board of Ferger, seven outside directors, and the pro-management circulation director, Charles W. Staab. (But one of this team managed to get in only by the skin of his recurred votes.)

- Reconfirmation of publisher Ferger as boss of the Enquirer for at least another year. He has been the paper's publisher since 1940.

On the score card of the Ratliff-led employees were:

- The reelection—assured by the votes of non-employee stockholders—of Ratliff to the Enquirer's weary board of directors; also, the election to the board of two pro-Ratliff men, one of them an outside stockholder, the other an Enquirer employee.

- The resignation of Eugene S. Duffield, executive vice-president and assistant publisher, who was a principal target of the employee-stockholder revolt. He didn't stand for reelection because, he told Ferger, he was going to accept another job offer.

- Promises by management to (1) "rely heavily on the advice of employee and middle management groups and on departmental meetings," and (2) have management consultants A. T. Kearney & Co., Chicago, make a complete analysis of the newspaper's operations.

- Ferger's agreement to review his own pay "to put a reasonable ceiling on my total remuneration. . . ."

To many it seemed that Ratliff's rebelling employee-stockholders had won an even greater victory than Ferger's management. Each point on which

they scored was the basis of a major complaint lodged by the Committee to Save The Enquirer—Again. Though Ferger apparently hoped that these successes for the dissidents would calm the stormy atmosphere around the Enquirer, it still seemed, this week, that Ferger would have to go further to "recreate harmony and a spirit of cooperation."

- **New Battlefields**—Two big issues still faced him:

- Reemployment of columnist Ratliff and city editor Cronin. Ferger says only, "That will be settled later."

- An extra seat on the board for an employee representative. Until last week, three board seats were held by Enquirer employees. A fight on the issue arose only after Ratliff had been fired, and reelected to the board. When he sought reelection to the board last week he did so simply as a stockholder. Enquirer employees nominated assistant city editor Hal Metzger, Jr., composing room worker Loren White, and circulation director Charles Staab for three employee seats. Staab and White won their seats; Metzger didn't. He was edged out by Joel M. Bowlby, who is chairman of Eagle-Picher Co. Under the cumulative voting procedure, which permitted a redistribution of votes after the first count, some of Metzger's votes were recast for Bowlby. So now reporter Al Schottelkotte, a leader of the dissident employees, says: "When the corporation was formed, employees were pledged three seats on the board. Three employees were picked by their fellow workers to fill those seats. The dropping of Metzger is indefensible."

- **Unique in Business**—Such bitter battling as has enveloped the Enquirer probably would never arise in other types of businesses—even those in which management encourages employees to take active ownership and interest in the company. But newspapers aren't like other types of business. They take on personalities of their own. In this way, the Old Lady of Vine Street is no exception. Some of the Enquirer's employees—about 600 of them own some 30% of the stock—have a sentimental attachment for the paper. Some mortgaged their homes to save it in 1952 from merger with the Times-Star.

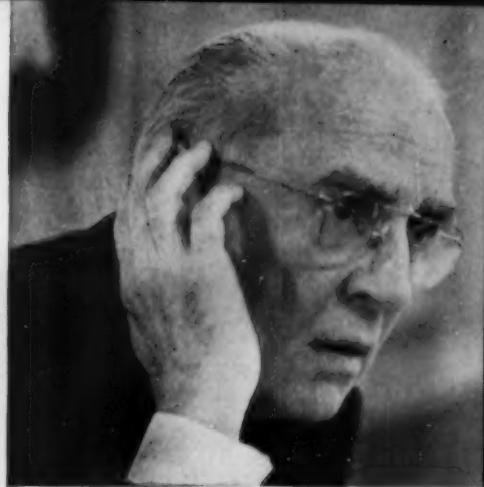
- **Battle's Beginnings**—The basis of all the current battling goes back to Feb. 13, 1952, when the Times-Star agreed

**STILL AN ISSUE** is question of board seat for assistant city editor Hal Metzger, Jr. (center). He lost seat to outside shareholder.



**OUT** Eugene Duffield, Cincinnati Enquirer's assistant publisher, is a management casualty in fight.

# Bosses Fall Out



**STILL BOSS**, publisher Ferger faces  
employees who want  
to cut his power—and pay.



**STILL ON BOARD**, but fired  
from En-  
quirer's staff, Ratliff wants "reforms."



**STILL MAD** is reporter Al Schottel-  
kotte, who deputizes  
for Ratliff as leader of employee-owners.



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to buy the Enquirer from the estate of John R. McLean, former publisher, for \$7.5-million. The deal had to be approved by the U.S. District Court in Washington.

While the question was waiting its turn before the court, Ratliff, sometime zealot who gained a measure of fame for conducting and reporting a cloak-and-dagger investigation of Communism, spearheaded a successful drive to maintain the paper's independence.

He got help from the judge, who, turning down the \$7.5-million Times-Star offer, gave the employees time to raise \$7.6-million from Cyrus Eaton, Cleveland industrialist. Eaton got his cash back later when Halsey, Stuart & Co. bought debentures, and Cincinnati bankers Westheimer & Co. underwrote stock in an employees' corporation, the Cincinnati Enquirer, Inc.

To help put over their stock issue, bankers sold shares around Cincinnati, made the Enquirer one of the few papers in the country with widespread community stockownership.

• **Control System**—Organizationally, the paper's control was to rest in a five-man voting trust; two of the trustees to be named by the employees and three by management. Votes pledged to the trust amounted to 54.6% of the 261,180 outstanding shares. Ferger says this trust was set up at the request of Halsey, Stuart to assure continuity of management. But Ratliff has a letter from H. L. Stuart, in which Stuart denies he insisted upon such a trust.

Aside from trustee representation, employees—with technical approval from the trustees—also nominated three people to the board. Ratliff was one of them.

At first, all was sweetness. Success was phenomenal. No one questioned Ferger at last week's annual meeting when he said proudly: "I never dreamed that we could do so well, in such a short time, as we actually have done."

Last year, seven years ahead of time, the Enquirer paid off \$1-million of the \$2.5-million convertible debentures held by Halsey, Stuart.

• **Busy Crusader**—But if Ferger and his right-hand man, Duffield, were counting on financial success to maintain their leadership, they didn't reckon with crusading Ratliff.

At board meetings, he apparently kept his mouth shut. But he claims he didn't like what happened—a stock option deal for management, which he and Cronin say they spiked; salaries and bonuses for Ferger and Duffield that amounted to more than 30% of the paper's net income; a rumor that Ferger was dickered again to sell the Enquirer to the Times-Star.

Outside the board room, Ratliff was more vocal, so much so that last November the board stripped him of his

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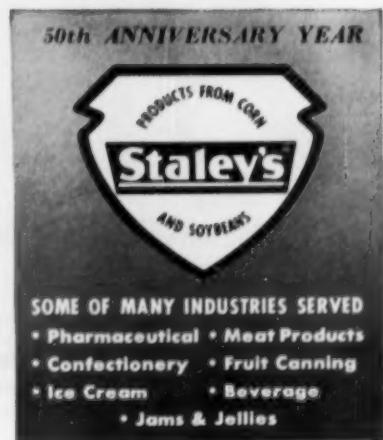
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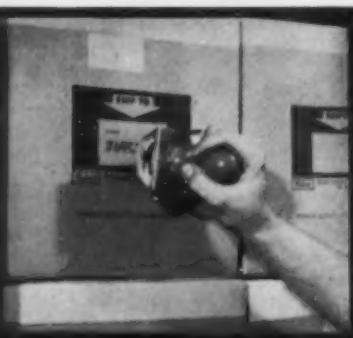
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vice-presidency and membership on the executive committee for "disloyalty, conspiracy to undermine normal channels, fomenting discord."

Whatever the merits of his suspicions, many Enquirer stockholders thought he could hardly have expected to survive: He admitted himself that he had been taking his tales to employees—primarily Jack Cronin—and to Halsey, Stuart.

• **Explosion**—For a month there was high tension throughout the Enquirer offices. Then the explosion that's still shaking the place occurred. It came last month when publisher Ferger fired Ratliff and Cronin as Enquirer employees.

Charges and counter-charges rocked the newspaper. One story had it that J. Henry Berne (one-time Enquirer reporter and now owner of a printing firm), who, with about 16,000 shares, is reportedly the Enquirer's largest single shareholder—and an outspoken Ratliff supporter—was out to get control. Management invited him to become a director, and he was elected at last week's meeting on the basis of an agreement with Ferger that he would not exercise a large part of his voting power.

Employees meetings were held. Their prime target became assistant publisher Duffield. Fresh charges were shot at him whenever he attempted to defend himself. Ferger's forces at first were publicly silent, but soon got around to holding their own meeting to answer employee accusations.

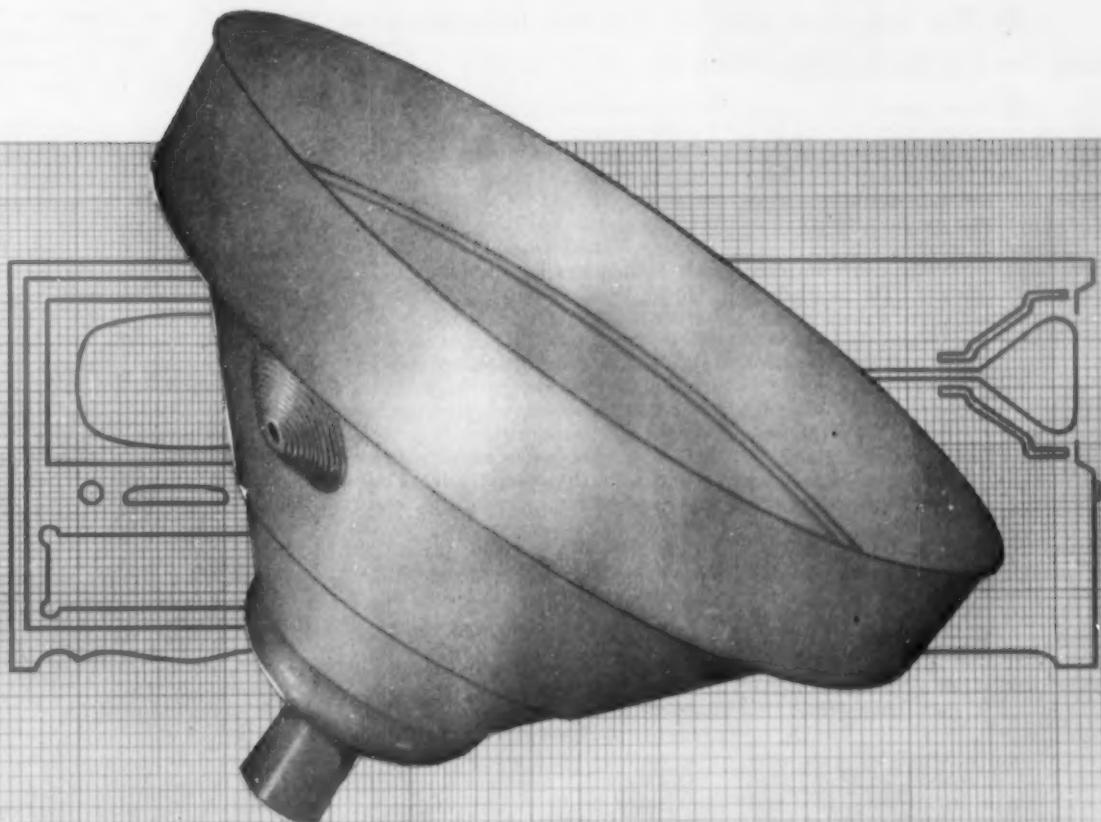
Ferger admitted his salary and bonus probably was too much. But he explained that he had not expected to fare so well under his 10-year contract. He also admitted talking with the management of the Times-Star, but insisted the talks concerned only an attempt to obtain printing facilities and thus avoid paying high rentals to renew the lease on the Enquirer's present building. As a last resort, he said, he even tried to buy the Times-Star, and though he failed in this he did get a better price when renewing the Enquirer's lease.

• **Real Issue**—But through all the battling the issue really boiled down to this: Who runs the paper?

Ferger, at the stockholders meeting, drew the line as he saw it: "Does Roger Ferger run the Enquirer?" he asked. "My answer is 'Yes'—insofar as the chief executive officer of any company runs that company. That's what he is paid to do."

After last week's indecisive meeting, Ferger was still running the paper. But the employee-stockholders had put on a show of strength that no chief executive officer could ignore. Ratliff was flexing his muscles. "We have a strong minority on the board," he said, "and we're going to press for immediate reforms." END

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# Talking Too Much Can Hurt You

- Two court decisions, on wiretapping and confidential disclosure, points up dangers in loose talk.
- Cases also show that managements have a lot to learn about defense against business espionage.
- The three-year story of a patent fight tells how heavy the cost to a company can be.

Two stiff court rulings in business espionage cases last week focused new attention on one of management's thorniest problems—protection against competitive methods that reach into a company's own precincts in an effort to ferret out its inner secrets.

One case—in a state court—involved wiretapping charges. The crackdown in the other case—in federal court—was on what the judge called "fraudulent conduct" in competition for patent rights on a new device.

• **Wiretap**—In New York, General Sessions Judge Jonah J. Goldstein sentenced lawyer and private eye John G. ("Steve") Broady to two to four years in a state prison after he was convicted on 16 counts of illegal wiretapping. Many of the counts concerned activities far removed from the business world. Two, however, involved taps on the lines of Bristol-Myers Co., and E. R. Squibb & Sons, an Olin Mathieson Chemical Corp. division. Both are leading ethical drug manufacturers—operating in a hotly competitive industry.

Broady was arrested last year after police and telephone company men found some of his apparatus in a raid on a Manhattan apartment (BW-Mar. 12 '55, p.26).

• **Patent Fight**—Two days after Broady's sentence, Judge J. Skelly Wright, in U. S. District Court, New Orleans, handed down his final judgment in a three-year-long patent suit. He based the judgment in part on his finding that one of the companies had wrongfully appropriated technical information obtained in confidence.

The three-year suit was brought originally by Seismograph Service Corp., Tulsa, and E. A. H. Honore, a French inventor, as plaintiffs. They named as defendants Offshore Raydist, Inc., New Orleans, and Hastings Instrument Co., Inc., Hampton, Va. Seismograph and Honore charged Raydist and Hastings with infringement of patents on electronic equipment used principally to pinpoint the location of ships engaged in offshore oil explorations.

• **Crackdown**—But the suit backfired. Judge Wright disallowed Seismograph's

infringement claim. Instead, he decreed that the company actually had developed its equipment and patents by wrongfully appropriating information disclosed confidentially and in good faith by Hastings Instrument's president, Charles Hastings, in discussions he thought were leading to a joint venture.

Judge Wright's formal judgment last week dismissing the Seismograph complaint carried out the provisions of his original decree handed down last September. In that decree, the judge had some strong words on the practices brought out in the trial.

"The robber baron morality of another day is no longer acceptable. Courts are insisting on increasingly higher standards of commercial integrity," he declared. "The unclean hands and fraudulent conduct of Seismograph have been established by a long and expensive trial."

• **Pressure**—The details of the Seismograph case (and Hastings Instrument's counter suit) point up the ever-present competitive pressure under which managements of electronics companies, like drug manufacturers, are working.

Seismograph's troubles, as laid out chronologically by Judge Wright, furnish a case history of what can happen—as the following account, drawn from the court decree and judgment, shows.

• **Need**—When the quest for tidelands oil along the Gulf of Mexico coast began in earnest, right after World War II, most oil companies became dissatisfied with available methods of pinpointing the location of the exploration vessels. The companies were seeking to fix the exact location of newly found reserves.

Phillips Petroleum Co., Bartlesville, Okla., one of the producers most interested in tidelands oil, heard through a friend in the U. S. Bureau of Standards that a young inventor named Charles Hastings had developed an accurate radio location device during his wartime work with the National Advisory Committee for Aeronautics.

Phillips learned that Hastings had left NACA in April, 1946, and had set up a small electronics business—Hastings Instrument Co.—in his home in Hamp-

ton, Va. In April, 1947, representatives of Phillips called on Hastings in Hampton, and he showed them how his system worked.

• **Enter Seismograph**—The Phillips men reported their discovery to management. Phillips called in Seismograph, then retained by Phillips for offshore oil survey work, and turned the matter over to it. Dr. James E. Hawkins, an officer and director of Seismograph, immediately saw the value of the Hastings idea.

Then, said Judge Wright, "Working feverishly, by May 11, 1947, Hawkins was able to produce a duplicate of the equipment, and of the demonstration, which Hastings had shown the Phillips representatives some days earlier. Having been advised . . . of the modest circumstances under which Hastings' business was being conducted from his home, and the further fact that obviously Hastings' patent position on his Raydist system was poor, Hawkins immediately made patent application through his patent counsel . . . covering the Raydist system and variations thereof." (Hastings filed his own patent application nine months later, in February, 1948.)

• **Proposition**—On May 15, 1947, Seismograph's executive vice-president, T. A. Manhart, a geophysical engineer, went to Virginia. Hastings again described the Raydist system for him. Manhart proposed to Hastings an arrangement whereby Hastings would furnish complete Raydist equipment and give Seismograph license rights. When he got back to Seismograph headquarters in Tulsa, Manhart recounted the technical details to his fellow managers, and reported that Hastings was short on money, business experience, and patent protection.

On May 23, 1947, Seismograph wrote Hastings, proposing formally the agreement that its officer had previously suggested verbally. Part of the agreement provided that Seismograph would supply patent rights on the Hastings system as its part of the joint venture. Hastings was asked to come to Tulsa with power to act on the proposed venture.

• **Discussion**—For three days, June 16, 17, and 18, Hastings discussed the joint plan and technical details with Seismograph officers and technicians—believing, as Judge Wright put it, "that the information imparted was for the benefit of and in furtherance of the joint venture which was under consideration."

Nobody from Seismograph, the judge continued, told Hastings that "Hawkins had already prepared for filing a series of patent applications covering the



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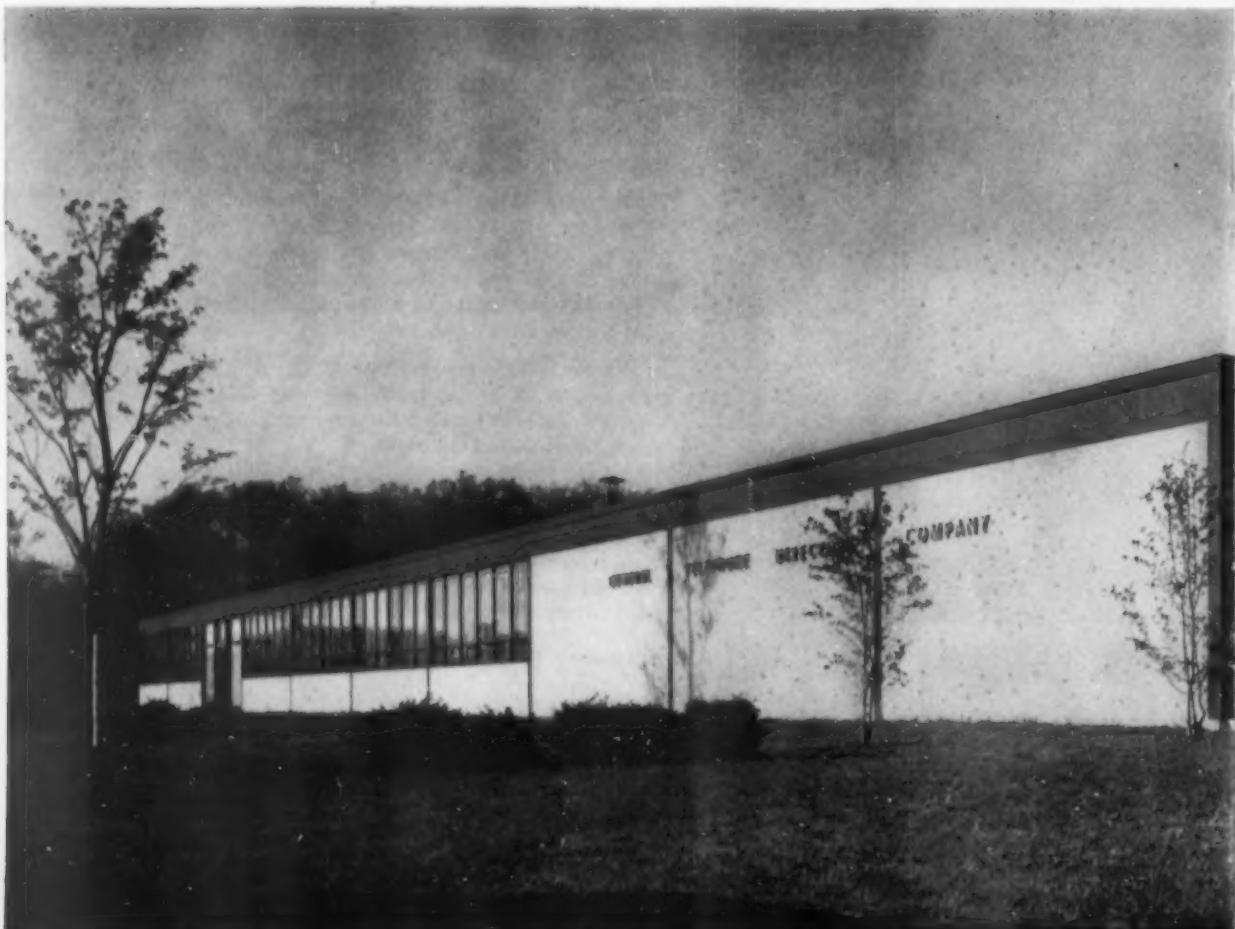


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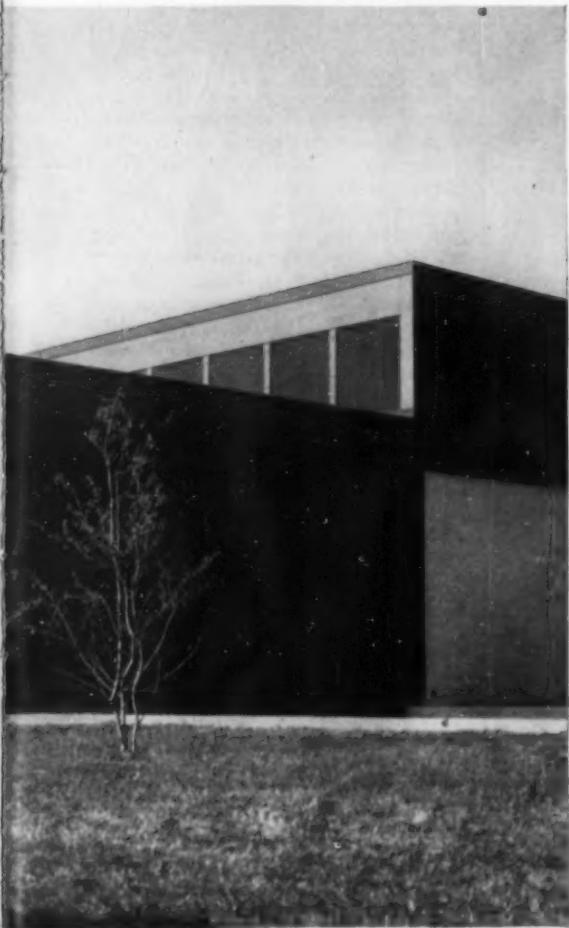
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clues

Hastings Raydist systems. . . ." On his part, however, Hastings disclosed that there was in the Patent Office files a patent that anticipated parts of his system, and that rights in it would have to be acquired. Hastings did not reveal the name of the inventor of this prior patent, nor the patent's number.

• **On Its Own**—The June meetings concluded without wrapping up the joint venture but Seismograph—Judge Wright noted—went to work in earnest building its patent position, unknown to Hastings, so that Seismograph's patents would dominate the Raydist system, block its development by anyone other than Seismograph. Seismograph was particularly anxious to get exclusive rights to the unnamed prior patent before Hastings acquired them.

This patent, as it turned out, was one filed in 1939 by Etienne H. A. Honore, a French inventor. Judge Wright: "The manner in which the Honore patent was identified [by Seismograph] . . . forms a very sordid part of this case."

Dr. Hawkins told Seismograph's patent attorney, Richard Mason of Chicago, to make every effort to identify the patent and acquire its rights for Seismograph. Hawkins told his patent lawyer the name of Hastings' patent counsel in Washington, D. C. Mason passed on this information to a Washington associate—identified as "one Bailey"—in effect ordering him to do the leg work.

• **Search**—Bailey first searched the patent records. Then Bailey contacted an employee of Hastings' Washington patent counsel. Judge Wright: "Without disclosing to this employee his interest or intentions, Bailey was able, by deception, misrepresentation, and concealment, actively directed by Mason . . . to learn from him that Honore was the patent in which Hastings was attempting to acquire an interest." Mason reported all this to Hawkins on Aug. 25, 1947.

The next day, Mason sent an urgent and confidential letter to associates in Paris asking them to locate Honore. Seismograph's general counsel wrote to his London representative, asking him to join the search. In Judge Wright's words: "Finally, early in October, Hawkins flew to Europe and negotiated and obtained for Seismograph exclusive rights in the geophysical field under the Honore patent."

In the meantime, Seismograph kept Hastings interested with the promise of the joint venture.

• **Gaining Time**—By August, Judge Wright recounted, Seismograph was ready to discontinue the smokescreen of a joint agreement with Hastings. But when Hawkins called Hastings to tell him this, Hastings mentioned that a Seismograph competitor had been



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making inquiries about the Raydist system. Hawkins decided on the spot to say nothing about his company's decision to terminate the joint venture negotiations.

"Thereafter," said Judge Wright, "in spite of the fact that a final decision had been already reached to terminate the joint venture, and in order to gain time to perfect its patent position based on Raydist, Seismograph, through its officers . . . continued to delude Hastings with the promise of a joint venture." Seismograph even asked Hastings to set up a demonstration on Sept. 8 for Phillips.

At the last minute, Hastings got a telegram calling off the demonstration because of "unexpected important trip by client's representative." But, says Judge Wright, "The evidence shows that no Phillips representative was ever advised of the scheduled demonstration. Moreover, the Phillips representatives testified that there was no need for further demonstration, that they were satisfied . . . that Raydist was the answer to their problem."

That telegram was the last communication Hastings got from Seismograph, although he tried by phone to reach them many times.

• In Business—Seismograph went ahead with the equipment and patent position it had by this time perfected.

Hastings eventually created a subsidiary company to use Raydist for exploration, survey, and navigation. The tidelands dispute kept this subsidiary out of oil exploration for a time. Later, when the tidelands were about to be opened up, Hastings formed a joint venture with a New Orleans offshore oil survey company, Offshore Navigation, Inc.

Between them, they set up Offshore Raydist, Inc., on a 50-50 ownership basis, to offer to companies the Hastings Raydist radio location service.

Tidelands exploration lagged during the state-federal dispute over ownership, but boomed after Pres. Eisenhower in the spring of 1953 signed the bill giving the states rights to the tidelands out to their traditional offshore boundaries.

• Suit—In October, 1952, Gulf Oil Corp., which had been using the Seismograph system named "Irac," ran a comparison test with the Hastings Raydist system. On the basis of the test, Gulf switched to Raydist.

Two weeks later, Seismograph filed its suit against Offshore Raydist and Hastings Instrument for patent infringement, charging that the Homore patent (to which Seismograph had exclusive rights) and one of the basic patents filed by Hawkins were being infringed by Hastings.

Hastings filed a counter suit, alleging patent infringement and the existence



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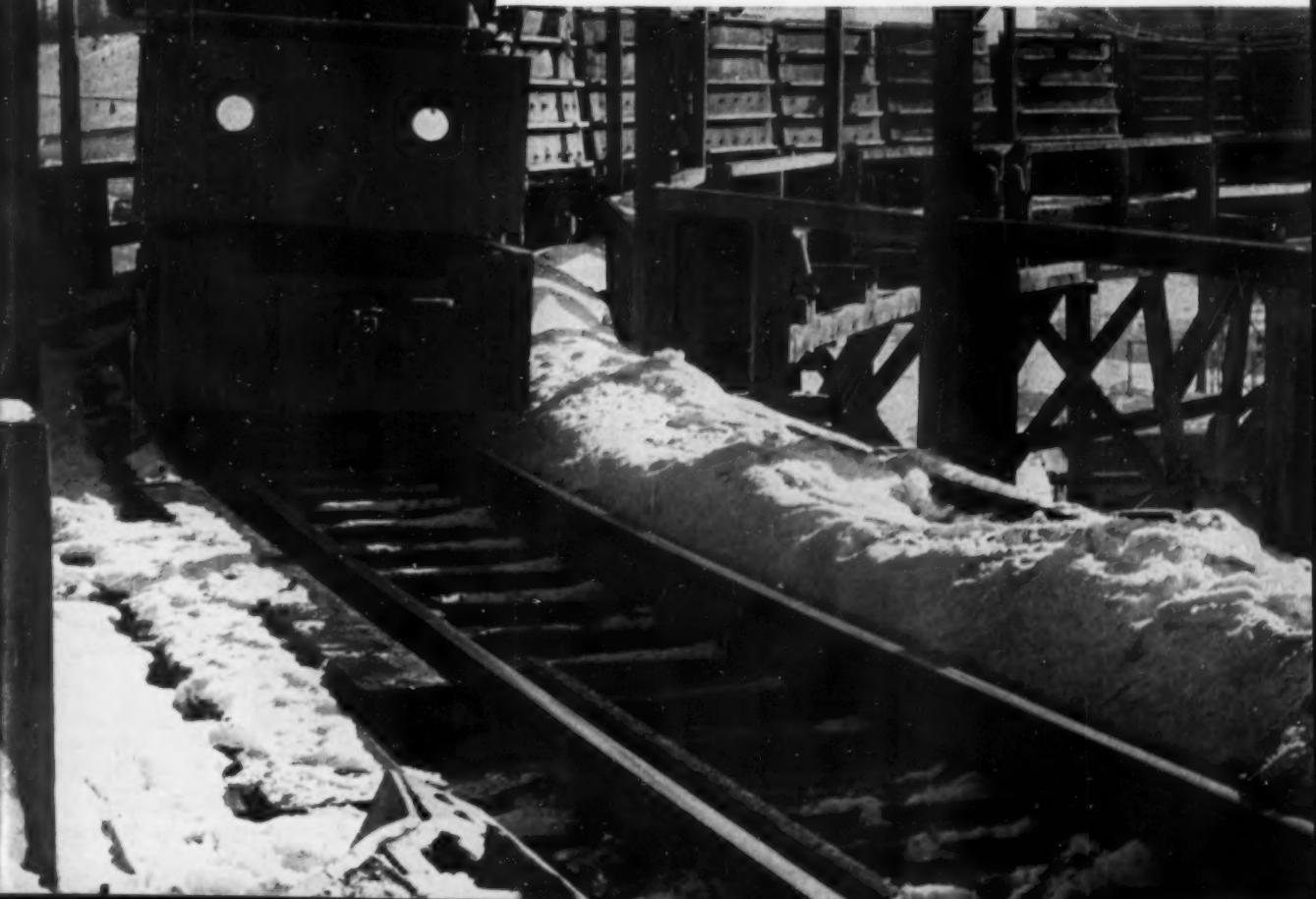
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of a constructive trust on Seismograph for the benefit of Hastings with respect to either or both of the Honore and Hawkins patents.

• **Decree**—Judge Wright, after recounting the evidence in detail, declared in his decree that Seismograph's negotiations with Hastings had been used "to pick his brains and milk him of the information on Raydist he had been so long acquiring."

"And now," the judge continued, "Seismograph has the effrontery to come into a court of equity to ask that its patents, so obtained, be used to enjoin the work of the very man who gave them life."

The court, in dismissing the Seismograph complaint, declared two of the claims of the Hawkins patent invalid, and voided Seismograph's exclusive rights to the Honore patent by granting Hastings a sub-license. The decree also said that if, on appeal by Seismograph, another court finds that the two Hawkins patent claims are not invalid, then Hastings is entitled to a royalty-free license under the Hawkins patent.

On the other side, Judge Wright dismissed a part of Hastings' counter suit that claimed an infringement by one of Seismograph's Lorac designs.

• **Cost**—Hastings figures that during the three-year litigation lawyers alone have cost his company more than \$100,000—and that the drying up of credit sources as a result of the suit has prevented him from taking full advantage of the booming market for radio location services in the tidelands.

• **Appeal**—Seismograph has not decided, as yet, whether to appeal—but the talk around Tulsa is that it will. Seismograph's Pres. Gerald Westby says the company is doing 17% more business now than a year ago—proof that its customers are rallying around.

Westby feels he has an appeal case if he wants to push it, on this basis: When two Phillips men first went to Virginia to see Hastings, Hastings presented them with a copy of a pamphlet describing the basic Raydist system—a pamphlet, Westby declares, which was already public property because Hastings had passed out copies of it at a conference in New York. Working from the pamphlet, says Westby, Hawkins was able to develop his own system; and before anyone from Seismograph had talked to Hastings personally, Hawkins had filed four "disclosures" (preliminary papers in a patent application) with Seismograph's patent attorney.

On the issue of violation by Seismograph of Hastings' confidential disclosures, Westby says his company is convinced the judge's decision is not supported by the evidence. **END**

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FAX 28

# In Management

## A Company's Research Outlay

### May Reveal a Lot About It

The amount of money your company puts into research and development work probably is an excellent indicator of its growth rate. That's what Lionel D. Edie, investment consultant and economist, told more than 500 businessmen at the National Industrial Conference Board's 364th meeting in New York last week.

According to Edie, companies that plow back 3% to 4% of their sales into R&D tend to have a yearly growth of 10%. (The national average is about 3% growth per year.) Edie says you can easily pick out about 100 large representative companies in the country that show this relationship between growth and research.

Throughout the country, says Edie, research outlays are growing at the rate of 10% per year. What's more, looking over the past, he notes a fairly constant ratio between research and capital expenditures for manufacturing industries. Over a three-year period, total research expenditures are fairly close to capital expansion in the fourth year, Edie finds.

So, if Edie is right—and spending in the chemical industry bears out his findings—sums laid out for research and development may be a useful indicator of future plant and equipment expenditures.

## Why the Man in the White Collar

### (Or the Woman) Joins a Union

Management men also got some dope on why office employees join unions at last week's National Industrial Conference Board meeting (above).

The reasons white collar workers sign up (BW—Nov. 6 '54, p64), according to Pres. Howard Coughlin of the Office Employees International Union, AFL-CIO, include these:

- Office workers—who make up almost one-third of the nation's work force—have been taking a financial licking. Their average salaries—including those of relatively well-paid engineers, draftsmen, and government employees—fall \$3 a week behind the average for manual workers. In 1929, the white collar people were ahead by \$7 a week, so that means they have taken a \$10 loss. And run-of-the-mill office and clerical help are at a \$22-a-week disadvantage when their salaries are matched with those of manual workers.

- The many fringe benefits once enjoyed almost solely by office workers now have been granted to production workers as well.

- Office workers look for respect, recognition, and appreciation from management, lay great stress on "justice" and fairness. And many feel they are not getting it.

Coughlin feels that automation will tend to speed up unionization of office workers. That's because people

engaged in mechanized work are more disposed to become union members. The union leader notes that, presently, employees operating data-processing equipment in offices are joining unions to a greater extent than workers in offices where these operations are performed by clerks.

At the same conference H. S. Hall, New York labor consultant, laid the rise of office unions directly at management's door. He holds that office employees normally regard themselves as close to and part of management, have little enthusiasm for unions. If they do unionize, it's because they feel estranged from management.

## Cosmetics Manufacturer Extends

### Helping Hand to Distributors

Helene Curtis Industries, Inc., Chicago, thinks it has found a way to standardize and improve its distribution. Starting this year, the \$36-million-a-year cosmetics and equipment manufacturer is offering a management consulting service to 175 independent distributors.

After a two-year test run on 20 "guinea pig" distributors, the company believes advice from its business engineers can boost a distributor's pre-tax profits by an average \$6,000. During a two-week period, a staff headed by business engineer W. P. Engel delves into a client's sales, inventory, product line, and office procedure. It comes up with suggestions for more efficient operations, helps the distributor plan changes. Total cost of the service: \$600 to \$700—of which Curtis will pay up to a third.

Despite individual proprietors' shyness about outsiders going over the books, Curtis expects its consulting staff will be kept busy. Some 45% to 65% of the average distributor's yearly volume of \$275,000 comes from the sale of Curtis products. So relations with the manufacturer already are close. Add the incentive of a \$6,000 profit increase, and the services of an analyst are welcome. For distributors, it's a chance to beef up profits. For Curtis, it's a chance to build up efficiency, gain goodwill.

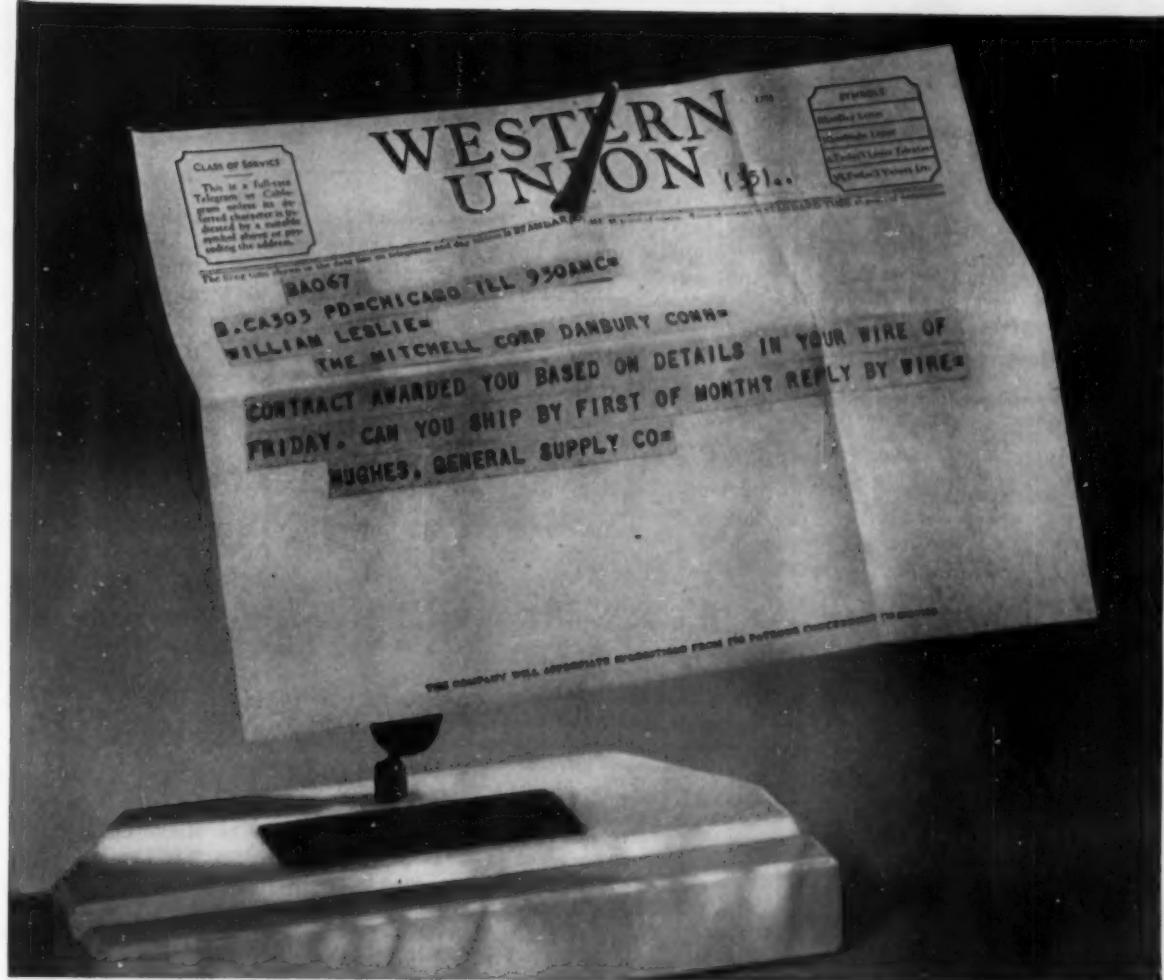
This year Curtis will take on 40 distributors. But of these, its consulting staff will be tackling only 20 for the first time. The other 20 are the original guinea pigs, who are sold on the program and are anxious to take advantage of newer improvements.

## FTC Charges Foremost Dairies

### With Anti-Merger Violations

The Federal Trade Commission, which is pushing for tougher anti-merger legislation, last week charged Foremost Dairies, Inc., Jacksonville, Fla., with violating both the anti-merger law and the Federal Trade Commission Act. FTC says a pattern of 39 mergers and acquisitions by Foremost since 1951—though some of the companies were very small—represents a trend toward concentration that the law is designed to prevent and break up.

During this period of acquisition, Foremost's sales increased from \$52-million in 1950 to \$375-million in 1954.



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By any standard this was a blue-chip assembly. By business standards, it was one of the bluest, one you rarely see even in this country of convention-going, banquet-fed executives.

In one way this can be viewed as merely another—though somewhat special—business luncheon, a sort of command performance to pay respects to the country's leading manufacturing corporation. GM's size alone rates such a guest list, not to mention its achievements as a well-organized company whose professional executives epitomize the modern corporation today.

But you can look at it another way, too. Here, in one room, was a tremendous concentration of economic power. Here were the business elite whose decisions will have a powerful effect on what happens in the country not only in 1956 but for many years beyond.

These men collectively carry on their shoulders a burden of responsibility that is matched only by that of the federal government. There probably never has been a gathering that could be called a Congress of Businessmen, but this came close to it.

Recognition of that fact raises a question: Has the caliber of the men who run U.S. corporations and their ability to make the right decisions improved in, say, the last 15 years? Has their upgrading of the techniques of management kept pace with the growth of their corporations?

YOU BEGIN to get an answer as you take another glance around the room and connect faces with companies and itemize the contributions these top companies have made to management techniques.

Present for the host company was Alfred P. Sloan, Jr., GM chairman, one of the line of GM's executives who over the years have made the company a model of corporate organization and control. They have shown other companies how a complex of operating units—with decisions being made by

many people—can be controlled successfully and intelligently from the top.

Eugene W. Stetson represented the Illinois Central RR, for which he serves as chairman of the executive committee. His company has taken a lead in management training that is setting a pattern for other railroads.

Detroit Edison Co.'s Walker L. Cisler was on hand. The University of Michigan is using his company for a research job on what makes good supervisors.

American Brake Shoe Co.'s Pres. Kempton Dunn attended. That company has been a leader in what it calls multiple management—giving the people close to the point where decisions have to be taken a voice in making them.

And you can go on through the list: Sidney J. Weinberg, senior partner of Goldman, Sachs & Co., a believer in upgrading the work of corporate directors; Col. Willard F. Rockwell, chairman of Rockwell Spring & Axle Co., whose early recognition of the soundness of diversification has gained him fame in management circles; Philip D. Reed, representing General Electric Co., a company whose theory of organization developed under Pres. Ralph J. Cordiner, is being studied closely by other companies; Crawford H. Greenewalt, du Pont president, whose company brought basic research and technology to a fine art and stands out as a symbol of good organization; Edgar M. Queeny, chairman of Monsanto Chemical Co., a firm that early saw the advantages of decentralized authority and constantly employs consultants to train its people to be better leaders.

MOST OF the men in the room, in fact, can lay some claim to advancing management techniques.

Taken separately, these techniques—management development, delegation of authority, human relations, junior boards of directors—might not seem so important. But together and applied broadly by companies across the country, they add depth to the quality of management decisions on which the nation's economic future must depend.



*Throughout the petroleum industry*

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Fluor often acts as a connecting link . . . on a gigantic scale. On one hand is a research group with a new, improved refining process. On the other is a refining and marketing organization with demands for increased quality and quantity.

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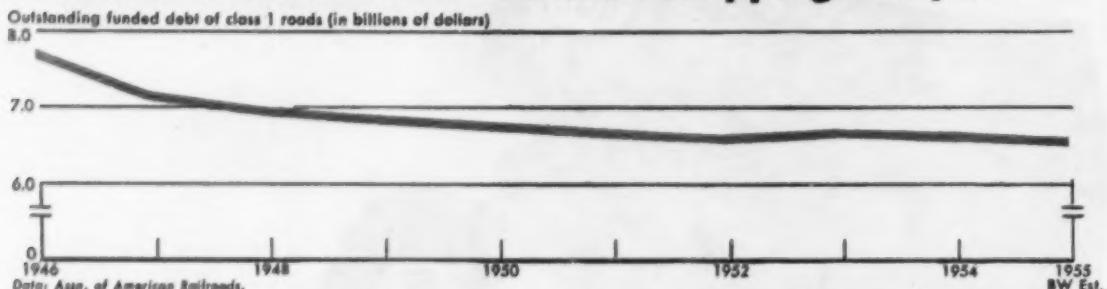
# **FLUOR**

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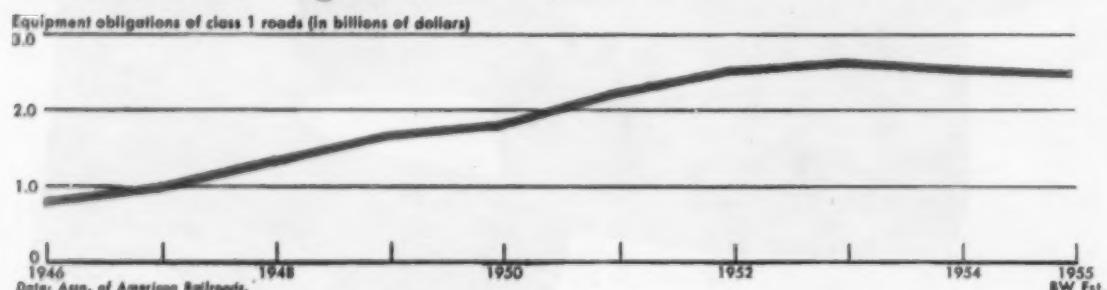
*The FLUOR CORPORATION, Ltd.*

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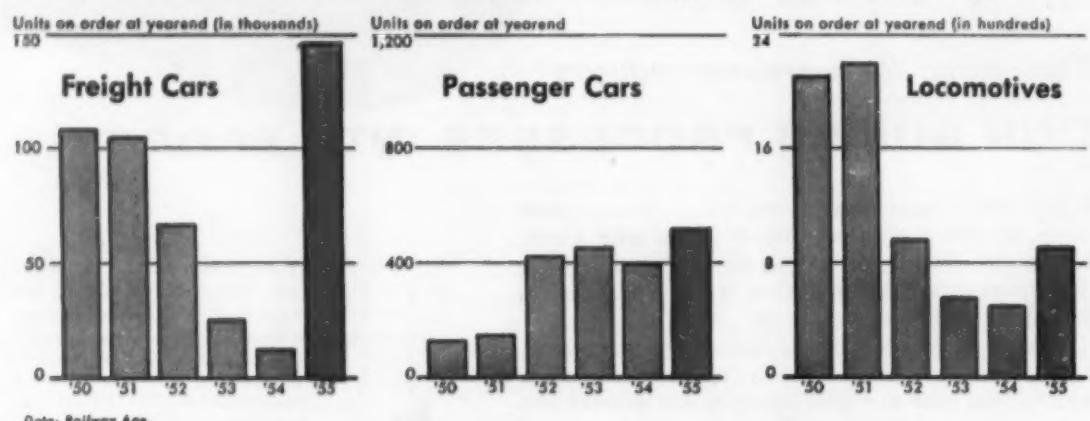
## The rails' funded debt has been dropping lately . . .



... But equipment obligations are up sharply and seem slated to rise even higher . . .



... Due to the recent zoom in new-equipment buying.



## Paying for the Rolling Stock

When the curtain clunked down on 1955, the nation's Class 1 Railroads had on order a truly massive batch of rolling stock and units that haul it.

Freight car orders were at a record 147,000 compared with fewer than 14,000 at the previous yearend, and less than 28,000 a year before that.

Passenger cars on order stood at 500, up 25% above the previous year, and 10% above figure two years back.

Locomotive units on order were

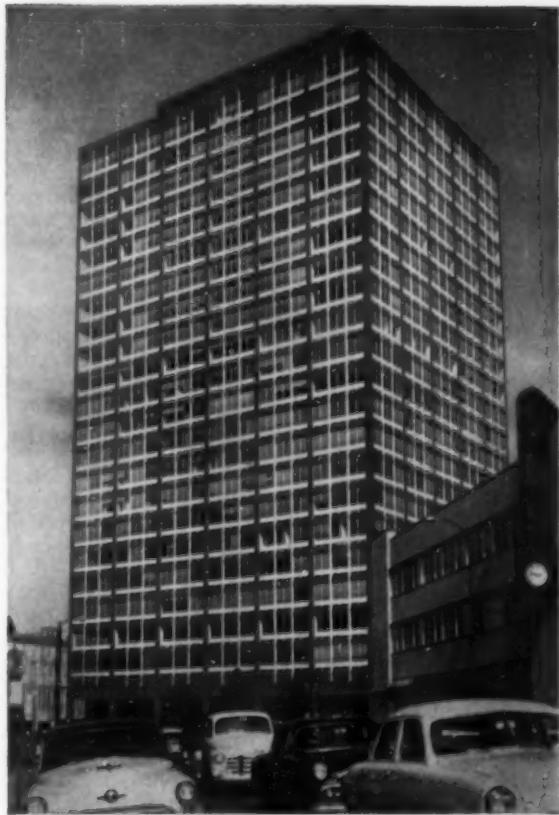
around 900, virtually all of them diesels, of course. That was 83% higher than at the end of 1954, and almost a third greater than the end of 1953.

With these fat orders on the table, lips are being smacked in the feast-or-famine rail equipment trade, along with its suppliers of raw materials. And the joy is just as great in Wall Street's new issues market.

The financial joy is easy to under-

stand. Despite record profits in 1955, the railroads are far from a rich industry. Few are the roads that have the resources to handle more than a fraction of their new-equipment costs out of their own tills. That in turn means that Wall Street is going to have to sell a substantial amount of new rail securities to pay for the new equipment.

• **A Mighty Dollop**—There's a wide range of guessing on what the 1956



MILE HIGH: 23-story Tower Building of new Mile High Center, Denver.



SEA LEVEL: new 34th Street Office Building, New York City—26 stories high.

## American Blower products assure ideal comfort conditions a mile high and at sea level

Although one of these new Webb & Knapp office buildings is in Denver (called the "mile-high city" because of its 5,280-ft. elevation)—and the other is in New York City at sea level—both provide year-round comfort with the same type of *dual* air-conditioning system.

Divided into two zones of operation (peripheral and interior), and including American Blower heating, cooling, and ventilating equipment—these dual systems offer flexible control for satisfying the various comfort needs of tenants. Precise

air conditions are not only supplied to each floor, but also to different points across each floor!

New Tower Building. Architects: I. M. Pei & Assoc.; Kahn & Jacobs and G. Meredith Musick. General Contractors: Geo. A. Fuller Company. Mechanical Contractors: Kerby Saunders, Inc. Consulting Engineers: Jaros, Baum & Bowles; Severud-Eltstad-Krueger.

New 34th Street Office Building. Architects: Rene Brugnoni and Rudolf C. P. Boehler. General Contractor: Webb & Knapp Construction Corp. Mechanical Contractors: Kerby Saunders, Inc. Consulting Engineers: W. R. Cosentini & Assoc.

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Whether your plans call for a central or zone system, or for all-in-one-package air conditioning (left)—American Blower can meet your every equipment need. Call our branch office near you for information.



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1402 Terminal Tower, Cleveland 1, Ohio  
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## Canadians Want to be ... *Partners in their own Development*

This feeling expressed by our President at the Investment Bankers Association Annual Convention in 1951, more recently by the President of a Canadian University in an address to the Boston Conference on Distribution\*, and again by the President of one of Canada's ten Chartered Banks, has also been the subject of numerous newspaper articles and editorials in Canada in recent months. There is a broad and growing segment of Canadian opinion which feels that United States corporations are beginning to control the economic future of Canada. This is not now the case or ever likely to become so. However, there is a growing concern not only about the normally welcome inflow of U.S. capital but also, and more importantly, about the virtual exclusion of Canadian participation in United States controlled operations in Canada.

As underwriters of all types of securities for thirty-five years and with distribution facilities from coast to coast, we are able to offer advice on every step in raising capital for a subsidiary operation through the sale of common shares or senior securities. Needless to say, even the most preliminary discussion will be in strictest confidence and without obligation.

\*Reprints of both these addresses are available upon request.

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Hamilton	Kitchener	London	Edmonton	Winnipeg
		New York		

borrowing will finally add up to; some Streeters guess as high as \$500-million. That figure may be too high, but the total certainly will be huge. Freight cars now cost more than \$8,000 apiece, so the existing orders for them alone will mean a bill of around \$1.2-billion, which the roads will have to meet out of borrowing and their own resources.

The railroads have always financed this sort of purchasing by selling equipment trust certificates, and there's every indication that they will do the same thing this time. The equipment trust certificates are the cheapest way for the roads to borrow new money. And they are pretty much self-liquidating debt, since the new equipment they provide cuts operating costs, and therefore pays for itself relatively fast.

• **Lenders, Too**—What's more, the equipment trusts are normally as attractive to lenders as they are to borrowers.

• They have an almost perfect record for safety of principal. Even in the wave of railroad bankruptcies that swept in the wake of 1929, only a single case of loss to investors through the trusts has stuck to Street memories. Even in that case, the holders ultimately got 70¢ on the dollar through liquidation payments.

• The certificates have short-term maturities on a serial basis, which makes them an ideal investment medium for the commercial banks, which have long been their main market. Some commercial banks normally like to hold maturities under 20 years for their longer-term investments; others prefer the 5-to-10 year range. Whatever the taste, the equipment trusts are ready to satisfy them.

The same virtues, of course, can be found in government and municipal issues. But in these, the yield is normally quite a bit smaller.

• **Guaranteed**—Most equipment trust certificates are issued under the so-called Philadelphia plan. That is, the borrower never issues the certificates directly. The issuing is done by a bank that acts as trustee, but the road does guarantee both principal and interest. And the road does not get full title to the equipment covered by the certificates until the entire issue has been paid off. While the trustee holds title to the equipment, the road pays regular rent on it.

The certificates always fall due serially, usually at six-month intervals. In recent years, the most popular maturity schedule has been 1-to-10 years, although the span sometimes extends to 15 years.

As a general thing, the borrower puts up 20% to 25% of the cost of the equipment that secures an issue, but there have been times when this margin of safety was shaved much finer. Back when Robert R. Young was mas-



**\$ 34,615,000 PACKAGE**

**KIDDER, PEABODY & CO.**

**NO. 5284**

**NEW YORK, N.Y.**

**PAY TO THE  
ORDER OF CONTAINER CORPORATION OF AMERICA.. \$ 34,615,000.00**

**THIRTY-FOUR MILLION, SIX HUNDRED FIFTEEN THOUSAND AND 00/100 DOLLARS**

**by **

**Where did this  
NEW MONEY come from?**

The \$34,615,000 required by Container Corporation of America in 1955 for working capital and further expansion came directly from Kidder, Peabody & Co. as head of a group of 60 underwriters. But this new money was ultimately supplied by the hundreds of institutional investors across the country to whom Kidder, Peabody & Co., assisted by other investment firms, distributed Container Corporation of America 3.30% Sinking Fund Debentures.

The underwriting and distributing of these debentures is only one of well over 2,000 financing operations which Kidder, Peabody & Co. has managed or participated in since the end of World War II. You are invited to write to us on your letterhead if you feel our experience may be helpful to you.

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always be sure of is*

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TOILET TISSUES!**



Some slip-ups can't just be laughed off . . . and an inferior tissue service for your customers, guests or employees is one of them. Not when high-quality-controlled Fort Howard Tissue provides so much gentle absorbency at such low cost . . . as little as 7c more per hundred users over an ordinary tissue service.

Fort Howard Tissue is available in 18 grades and folds to suit any requirement, and your Fort Howard distributor salesman will be happy to recommend the *right* service for you. Call him today!

**FORT HOWARD PAPER COMPANY, GREEN BAY, WISCONSIN**

For 37 Years Manufacturers of Quality Towels,  
Toilet Tissue and Paper Napkins



*"... stick to the issues of the better-quality roads, especially for long-term maturities . . ."*

RAIL EQUIPMENT starts on p. 130

ter of the Chesapeake & Ohio, the road sold several issues that covered the cost of the equipment 100%—but the interest on the certificates was abnormally high.

• **Market Variations**—The cost of borrowing through equipment trust certificates varies with conditions in the money market, though it always remains the cheapest means. Costs for a good while have been much higher than in the days of the Democrats' cheap money policy. Compare, for instance, a recent piece of equipment financing by the Southern Pacific with a similar offering that was made successfully seven years ago. The 1-to-10-year issue handled for Sopac in the middle of last December was on a 3.10% to 3.30% basis. Late in 1948, a similar issue was disposed of on a 1.45% to 2.45% basis.

There are other, more recent, instances. Last month, Texas & Pacific equipments, 1-to-10 years, had to be sold on a 3.00%-3.20% basis. A year before, a similar offering commanded only a 1.40%-2.70% yield range. And a large Pennsylvania RR issue at about the same time as the Texas & Pacific operation needed a 3.10%-3.40% basis; less than three months earlier it was possible to sell a comparable Pennsy issue on a 2.90% to 3.25% yield basis.

• **Credit Rating**—Money market conditions are not the only price determinant. Another big factor normally is the credit rating of the road doing the borrowing. But in times like the present, when nearly all rail earnings are climbing, investors frequently become less discriminating in their choice of equipment trusts.

Some smart thinkers in the Street consider this unhealthy, despite the good record of the equipments generally in the past. Many roads have vastly improved their credit standing in the past 10 years, but there are still many carriers that are clearly marginal, and could find themselves in trouble if the railroads ran into a long stretch of adverse operating conditions.

The observers who feel this way are urging their clients to stick to the issues of the better-quality roads, especially for long-term maturities. The only exception they make is when the differential in yield is large enough to compensate for the differential in quality—and this has not been the case lately. **END**

*All of these Shares having been sold, this advertisement appears  
only as a matter of record.*

10,200,000 Shares

*Ford Motor Company*

**Common Stock**  
(**\$3 Par Value**)

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UTICA, N. Y.: Mr. Leslie H. Morehouse, of H. D. Morehouse & Son, large appliance dealers, knows how Klixon Protected Motors in appliances save on service calls and help build customer goodwill. Here's what they say: "Klixon Overload Motor Protectors have been valuable in reducing service calls on refrigerators and other motor driven appliances. This tends toward greater customer satisfaction and considerable savings in dollars of service costs to us."



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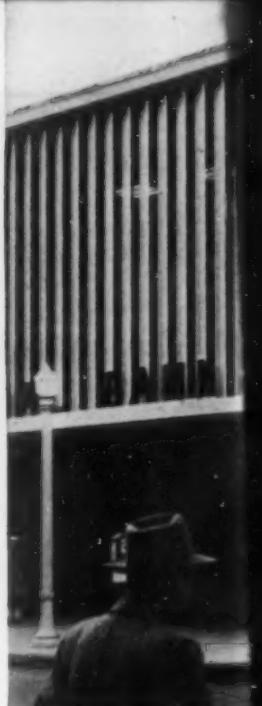


**WESTERN  
MARYLAND  
RAILWAY**

St. Paul Place, Baltimore 2, Md.



The boom in bank buildings across the country is typified by switch by Little Rock's First National Bank from old building (above) to new glass-walled one (right). In Little Rock—and elsewhere—modernization is a weapon in battle for deposits that has led to . . .



## Flashy Buildings—Even

Since the postwar period, banks have begun to lose some of their reserve. Not their financial reserve. Deposits are bigger than ever. But banking institutions are losing some of their traditional staidness and conservatism.

You see it most graphically in the buildings where banking business is conducted today (pictures). Bank building was pretty stagnant around the country from about 1930 to 1950. And the old buildings reflected the dignity and restraint of the establishment. The bank buildings put up in the last few years, by contrast, are flashy and ultramodern.

But the recent changes in the banking business are more than wall deep. The banker inside the shiny new building is apt to be different, too. He's will-

ing to break with tradition—to use gimmicks, advertise more heavily, generally use a little more hustle to get new business. And this less dignified approach is paying off. The banks whose new accounts and deposits are growing fastest seem to be the ones that have modernized the most—not just in buildings, but in thinking, too.

A close-up of what's been happening to banking in Little Rock, Ark., a fairly representative small city, gives you a pretty good idea of how modernization has been affecting the race between competing banks.

• **Postwar Boom**—Like the rest of the country, bank building was practically nonexistent in Little Rock from 1929 until about five years or so after World War II. In the meantime, the city's



GIMMICKS: TV shows customers or officers balance cards, deposit slips immediately.



SIDEWALK SNORKEL: Cop takes deposits, sends them to teller through chute.



## Gimmicks—for Banks

population had doubled, industry had grown at a rapid pace, and per capita income had nearly tripled. The new look in banking in Little Rock got under way in the spring of 1951. Union National Bank opened a \$75,000 drive-in bank, the first in the area.

But even more important was the emergence of the new First National Bank. In September, 1952, the bank, then known as People's National Bank, announced it was going to construct a new building. At the time, People's National was the smallest of the city's four banks in terms of deposits. By the time it got through building a new home for itself, changing its name, and putting new policies into effect, the bank had moved into third position to become the fastest growing bank in

Little Rock. Its deposits at the end of 1955 were \$40-million, compared with \$27.7-million before remodeling.

- **Name Change**—The first thing People's National did was to change its name. Pres. J. V. Satterfield, ex-mayor of Little Rock and the man generally credited with spurring First National's recent growth, surveyed presidents of "First National" banks around the country. He was amazed at the results—the presidents felt that the name alone was a terrific asset to their business. "I discovered that a lot of people think it is a little Federal Reserve system," says Satterfield.

The new First National Bank was finished in November, 1954, and it provided an ultramodern touch in contrast to the traditional homes of its competitors. The glass exterior is marked by aluminum jalouses that regulate the amount of sunlight pouring into the expanded, uncluttered interior. A drive-in bank is actually part of the main structure. In its first year it handled 77,578 cars.

- **Policy Change**—But First National's modernization didn't stop there. Satterfield overhauled the bank's policies as well. He has stressed the public relations aspects of banking, stepping up the advertising budget from \$6,000 a year to \$25,000.

Little Rock's two biggest banks—Union National and Worthen Bank & Trust—also have remodeled their buildings extensively and up-dated procedures.

Before the building boom really be-



SUBURBAN OFFICE just outside city line gets around ban on city branches.

There are many reasons for the world leadership of . . .



### Vertical Turbine Pumps



Based on proven design, every part of every Layne pump is completely manufactured in the Layne factory at Memphis. That means undivided responsibility and rigid adherence to Layne quality standards. Just two of the many reasons for Layne supremacy.

To know all about Layne pumps, "ASK THE MAN FROM LAYNE."

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**Years ahead design for year-round comfort  
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**A**NOTHER great development by A. O. Smith research — a full new line of *Permaglas* heating and cooling equipment . . . engineered to make the most of the dramatic advantages of ceramic coated heat exchangers.

**CERAMIC COATING** adds years to the life of every new *Permaglas* furnace. It shrugs off condensate corrosion that "rusts out" conventional heat exchangers.

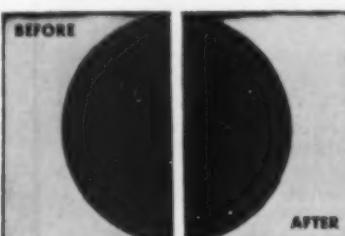
**WONDER-WORKING** ceramic coating makes possible far greater thermal efficiency . . . permits amazing reductions in weight and bulk. Actually, a new *Permaglas* furnace is

just one-half the size of ordinary forced air heating units of comparable capacity.

World's largest producer of glass-protected steel products — including famous *Permaglas* water heaters — A. O. Smith has consistently pioneered in the development of ceramics to broaden the working range of steel. Get all the facts about our new heating and cooling line. Write for free literature. *See how we work steel to make steel work for you.*



Unretouched photos show what happens to ordinary furnace heat exchangers after just ONE hour's exposure to a temperature of 1600°F.



Now here's the ceramic coated steel used in *Permaglas* furnace heat exchangers . . . before and after a full SIX hours at 1600°F.

Through research  . . . a better way

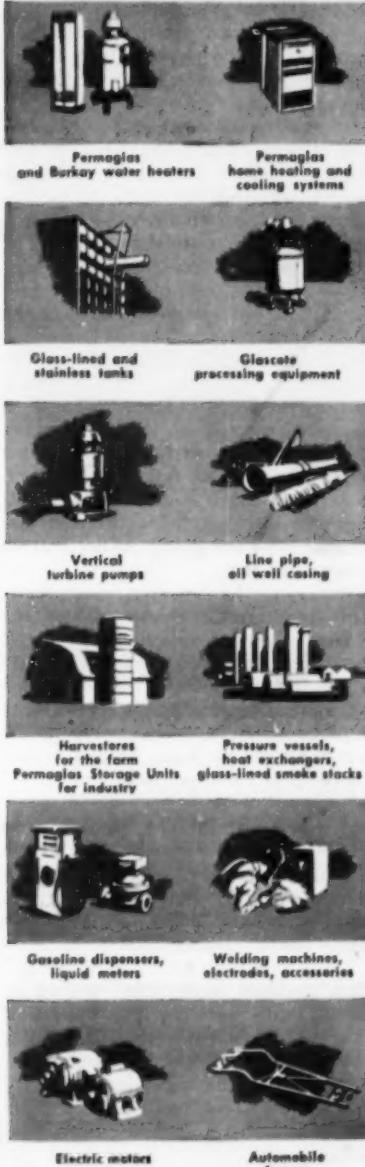
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gan, Worthen held the title as the city's biggest bank. But Union National managed to swipe the lead away in March, 1952, just about a year after it opened its drive-in bank. Union still is the city's No. 1 bank and its president, Alfred G. Kahn, says: "The improvement in the bank building is certainly an element in its growth." Union's deposits in the last two years have grown 15.3% compared to 6.2% for all Federal Reserve member banks. (In the same period, third-place First National boasted a 44.4% gain.)

• **Even Gimmicks**—Union's modernization cost \$350,000, not including its drive-in bank. Worthen also expanded its working space, and pioneered a few special devices such as the "sidewalk snorkel," a gimmick manned by an off-duty policeman. The snorkel allows motorists to transact simple deposits and withdrawals with a minimum of effort. The cop grabs the money and deposit slips, dispatches them through the snorkel device to a teller 20 ft. below the sidewalk, and waits for the account to be processed automatically.

• **Too Much, Too Late?**—The bank in Little Rock that hasn't gained any-

thing from remodeling, ironically, is the one that planned the most extensive modernization, \$1.2-million worth. In April, 1953, Commercial started to remodel its building from the ground up—new pilings and a foundation were put in while jacks held up the building. Extensive and expensive changes were made on the inside of the building, too. But meanwhile, Commercial has slipped from third position into fourth among the city's banks.

Now that major offices of all four Little Rock Banks have been revamped, the building competition has spread to the suburbs. First National opened a special small office just 100 yards outside the city limits last July and hopes to open another one. A law forbids branch banking within the city, but does permit establishment of an office for "performing clerical duties and banking services" in the same county.

Of course, it took more than a new building or new idea to push up deposits. Union and First National, for example, both have been consistently lending out a higher percentage of their deposits than either Commercial or Worthen.

## New York Bank Loans:

### RATES HIT A POSTWAR HIGH . . .

#### SHORT-TERM LOANS

(one-year or less)

	First 15 days of December, 1955	First 15 days of September, 1955	First 15 days of December, 1954
Average rate charged	3.69%	3.48%	3.26%
No. of loans	3,380	3,335	3,085
Amount loaned	\$855,000,000	\$710,000,000	\$625,000,000
Average loan	\$253,000	\$213,000	\$203,000

#### LONG-TERM LOANS

(more than one year)

	3.70%	3.45%	3.26%
Average rate charged	3.70%	3.45%	3.26%
No. of loans	265	150	180
Amount loaned	\$155,000,000	\$105,000,000	\$185,000,000
Average loan	\$585,000	\$700,000	\$1,028,000

Data: Federal Reserve Bank of New York.

### . . . As Short-Term Loans Boom

The first 15 days of December, 1955, saw business loan rates at New York's nine largest banks hit postwar highs, according to the Federal Reserve Bank of New York. Demand for money had boosted the prime rate to 3 1/4% last October, and the average rate on long-term loans was 3.70% for the 15-day period; short-term was 3.69%. Short-

term borrowing hogged the spotlight as a total of \$855-million was lent—\$230-million more than the same 1954 period.

The average amount loaned short-term was \$253,000, up \$40,000 from the first 15 days of last September, and up \$50,000 from the first 15 days of December, 1954.



## Put out of business for nine weeks

...but we made our regular  
profit just the same

(Based on Company File H-50-5618)

We were the victims of fire—fire that set us on the sidelines.

The blaze broke out in the stockroom of our shoe store, and made a clean sweep. Hardly a shoe was left. Furniture and fixtures were ruined.

These losses were covered, of course, by fire insurance.

But we had another kind of loss.

Suppose you were put out of business for nine weeks?

Whether your business is small or large, there's rent, interest and miscellaneous overhead to pay. And taxes. And salaries. Where would the money come from? How could you get it—and your profit, too?

Make Business Interruption Insurance your cushion against loss of income when fire, windstorm, explosion, riot or other insured hazard shuts you down temporarily.

For details about this important, low-cost protection, call your Hartford Fire Insurance Company Agent, or your insurance broker—today.

Year in and year out you'll do well with the

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Citizens Insurance Company of New Jersey . . . Hartford 15, Connecticut

New York Underwriters Insurance Company . . . New York 38, New York

Northwestern Fire & Marine Insurance Company

Twin City Fire Insurance Company . . . Minneapolis 2, Minnesota

## FINANCE BRIEFS

In the money market, two companies took big bites of long-term credit, instead of the short-term they usually prefer.

Commercial Credit Co. marketed \$75-million of 20-year, 3 1/8% notes . . . Associates Investment Co. privately placed \$25-million of 3 1/4% notes . . . C.I.T. Financial Corp. is thinking of a \$100-million long-term issue (BW-Jan. 21 '55, p162). All three were reacting to short-term rates, which have risen faster than long-term.

But short-term rates have shown some weakness. Rates on bankers' acceptances, up steeply since last summer, were marked down 1/4 of 1%, to follow the drop in the Treasury bill rate from 2.596% to 2.493% (it dropped further, to 2.245%, this week). In the past two weeks, heavy pressure from money seeking short-term placement has pushed rates down a bit.

The Illinois Turnpike finally worked its \$415-million bond issue free from legal snarls, and the underwriting syndicate was able to market the bonds just before its contract with the Toll Road Commission expired.

Continuing cold weather may cause Defense Mobilizer Arthur Flemming to revise his 1955 suggestion for a 7% cutback in oil imports from the Middle East (BW-Dec. 10 '55, p50). Flemming has asked for data on imports of residual oils, with an eye to allowing higher imports in the first quarter. However, it may not make much difference: Indications are that the cutback recommendations are going unheeded by many importers.

The stock transfer department of the Guaranty Trust Co. is the latest to get into the automation swing. Guaranty is the first commercial bank to use a British-made machine that counts stock certificates, bonds, and coupons at the rate of 60,000 per hour. Manual counting plods at 7,000 per hour.

The year's first housing bond issue is set for Feb. 7, according to the Public Housing Authority, which guarantees bonds of local housing authorities. Thirty-five local authorities will offer bonds worth \$106,750,000.

Bank stocks: A price of \$44 was set on the offering of 590,425 shares of Chemical Corn Exchange Bank stock, which will be offered to shareholders. . . . Bank of America (San Francisco), the nation's largest bank, plans to offer 1.6-million shares totaling over \$60-million.



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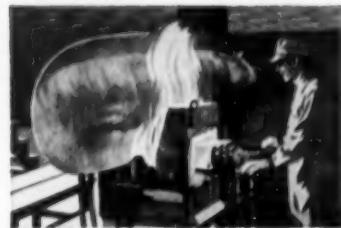
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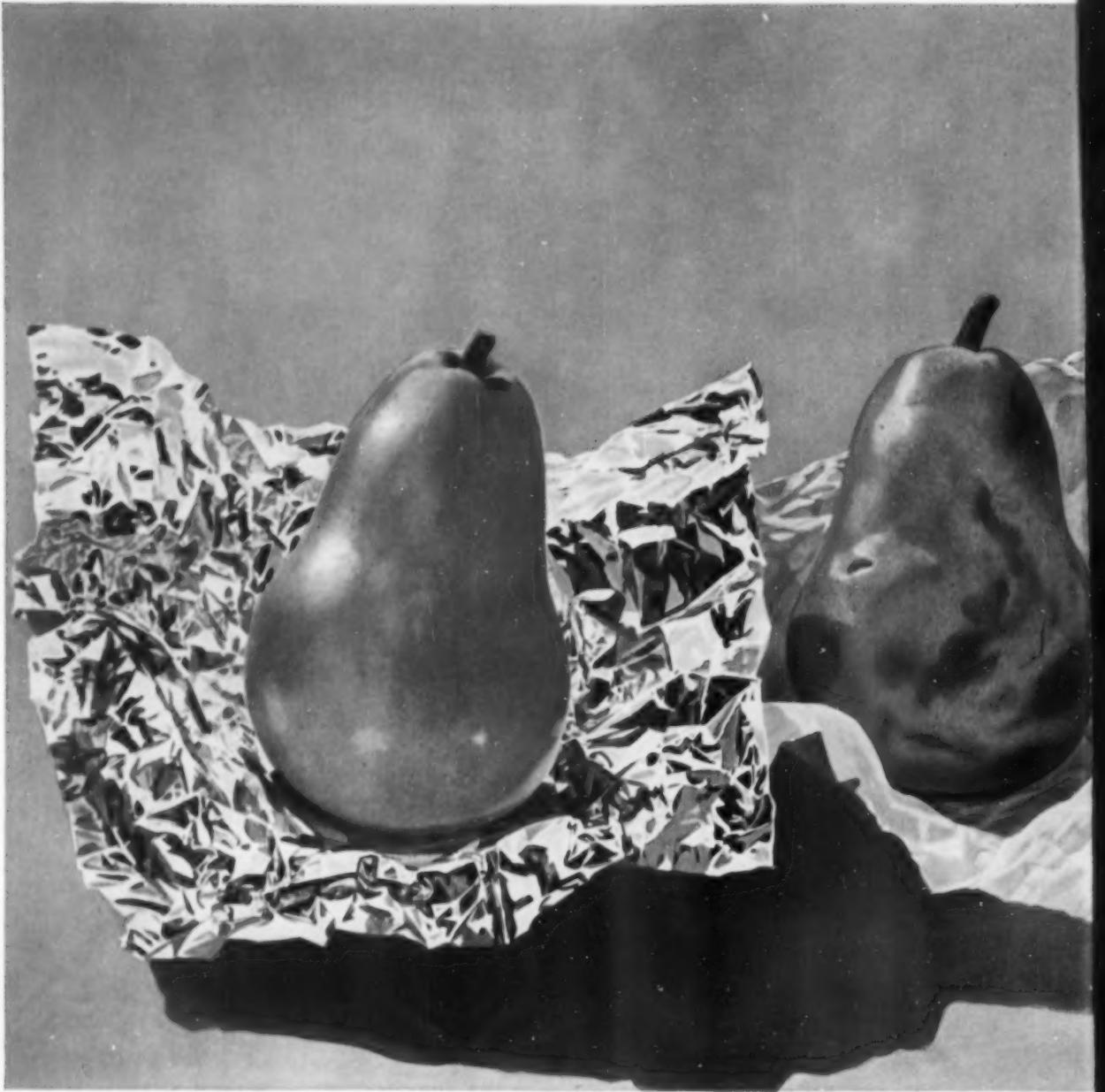
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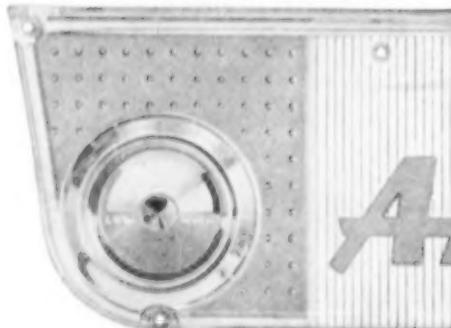
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# INTERNATIONAL OUTLOOK

BUSINESS WEEK  
JAN. 28, 1956



The Eisenhower-Eden conference won't produce any dramatic solution for the Middle East crisis. Things have reached the point in that area where no rabbits can be pulled out of a hat.

But when Eisenhower and Eden have completed their global survey, they will come up with something new in Middle Eastern affairs—a coordinated U. S.-British policy.

The Russians, who have been hoping that the conference would produce a rift, will be left in no doubt that the West intends to defend the Middle East at any cost.

Whatever Bulganin has suggested in his letter to Eisenhower—at midweek the White House wasn't saying—that purpose won't change.

It looks now as if the conference will produce agreement on:

- Handling the Arab-Israeli conflict. Pre-conference discussions have cleared the way for a joint statement covering the refugee problem and reaffirming the declaration made by the U. S. and Britain in 1950. In this declaration, the two countries (joined by France) promised that they would guarantee Arab-Israeli frontiers once they had been established by peaceful negotiations.
- Economic aid. Both governments feel that long-term economic aid programs are a must for the Middle East. The only real question is whether the U. S. Congress will back Eisenhower on this question (page 70).
- The Baghdad Pact. This "northern tier" alliance will be kept intact. But to avoid further friction with the Arab world, there will be no attempt to expand it.

—•—

Greece, on the fringe of the Middle East, is worrying both American and British officials.

They fear that the upcoming elections (Feb. 19) will bring political chaos in Greece, undermine NATO's position there.

The danger comes from a sudden shift in the Greek political scene. The major opposition party, led by ex-Premier Papandreu, has made an election alliance with the EDA, a Communist front organization.

This alliance has been gaining popular support due to (1) nationalist feeling over Cyprus; and (2) the rising cost of living.

Now Moscow is moving in to help the EDA with election funds, and with promises to buy Greek tobacco surpluses.

Papandreu apparently figures he can dump the Communists once he has beaten the Conservatives, who now rule in Greece. His plan is to call new elections and then get the reins of power in his own hands.

But to Washington and London this looks like a dangerous game. The result is more likely to be the kind of political chaos that would lead either to Communist control or an army coup.

The U. S. is doing some fence-mending in Turkey—and trying to strengthen the inflation-ridden Turkish economy. Clarence Randall, Presidential adviser on trade and commercial policy, has the job of fence-mender.

Last year, Washington refused to grant Turkey a \$300-million Export-Import Bank loan. The Turks wanted it to offset inflation generated by their ambitious development program. Our refusal embittered the Turks, who

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK  
JAN. 28, 1956

didn't feel that they were pushing development too fast. The U. S. felt the program was a danger to Turkey's future.

Randall is now in Turkey, hoping to find a compromise in this conflict. He is there as a private citizen at the invitation of the Turkish government, not as a U. S. official.

In going to Turkey, Randall has three specific objectives:

- To strengthen Turkish efforts to control inflation.
- To get the Turkish development program on a sound basis, so it will pay off politically at the next election, now only two years off.
- To convince the Turkish government that it can count on U. S. support as long as it needs it.

—•—

Argentine economic prospects are looking up. Normal commercial credit facilities for Argentina—suspended since 1949—were restored this week by two New York banks—Chase Manhattan and First National City.

The two banks extended a credit line of up to \$30-million to cover Argentina's current commercial transactions.

The move reflects considerable confidence in the stability of the new regime and in the soundness of its economic policies. More important, it indicates Argentine willingness to return to normal trading practices. (U. S. banks would have been willing to restore working credit to Peron, but he insisted on keeping tight control over foreign exchange.)

It looks as if U. S. government assistance to Argentina—via loans and perhaps even grants—will come next.

The new Argentine government has just about completed its long-range economic planning. Buenos Aires will soon send negotiating teams to the U. S. and Europe to seek financial help. Raul Prebisch, who has been masterminding the economic review, figures that Argentina will need a total of \$1.1-billion in foreign public and private investment to get its economy back on its feet.

Washington is ready to help out. But the final decision will depend on the kind of proposals Argentina puts before the U. S.

—•—

Volkswagen decided this week to abandon plans for assembling its cars in the U. S. (BW—Aug. 20'55, p141).

The West German company says that a second look at high U. S. wage costs and expensive tooling costs has convinced it that the venture would be unprofitable.

—•—

India almost came to the edge of civil war last week. An Indian version of race riots brought near anarchy in Bombay, the country's second largest city. General strikes paralyzed other areas.

It was a government plan to redraw state boundaries, for the sake of administrative efficiency, that led to the riots. Prime Minister Nehru had counted on his personal prestige to carry the scheme through.

At midweek, it looked as if Nehru was moving toward a face-saving solution. He seemed ready to forget his earlier plan, settle for a merger of existing states.

# TO THE RESCUE...

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## air conditioning for Piasecki plant

One of the largest air-conditioning systems using factory-assembled packaged central station equipment ever installed is now operating in the Piasecki Helicopter Corporation plant at Morton, Pennsylvania, home of the world famous "whirly-birds".

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After three years with the *Chicago Journal of Commerce* and two in Detroit writing publicity, he sailed for Europe to work for *The Chicago Tribune's* Paris Edition . . . and wait out the depression. But he landed in the middle of it when he returned in 1932, broke and jobless. Within three days he was financial copy reader with the *N. Y. Evening Journal*. In 1935 he spent a year at the copy desk of the *N. Y. Herald Tribune* before joining *Business Week* and McGraw-Hill.

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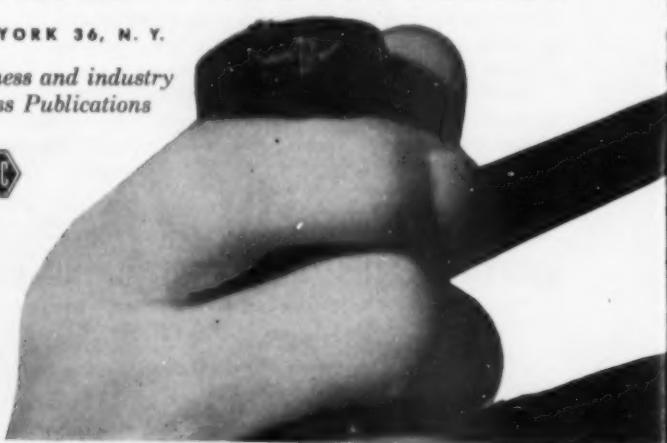
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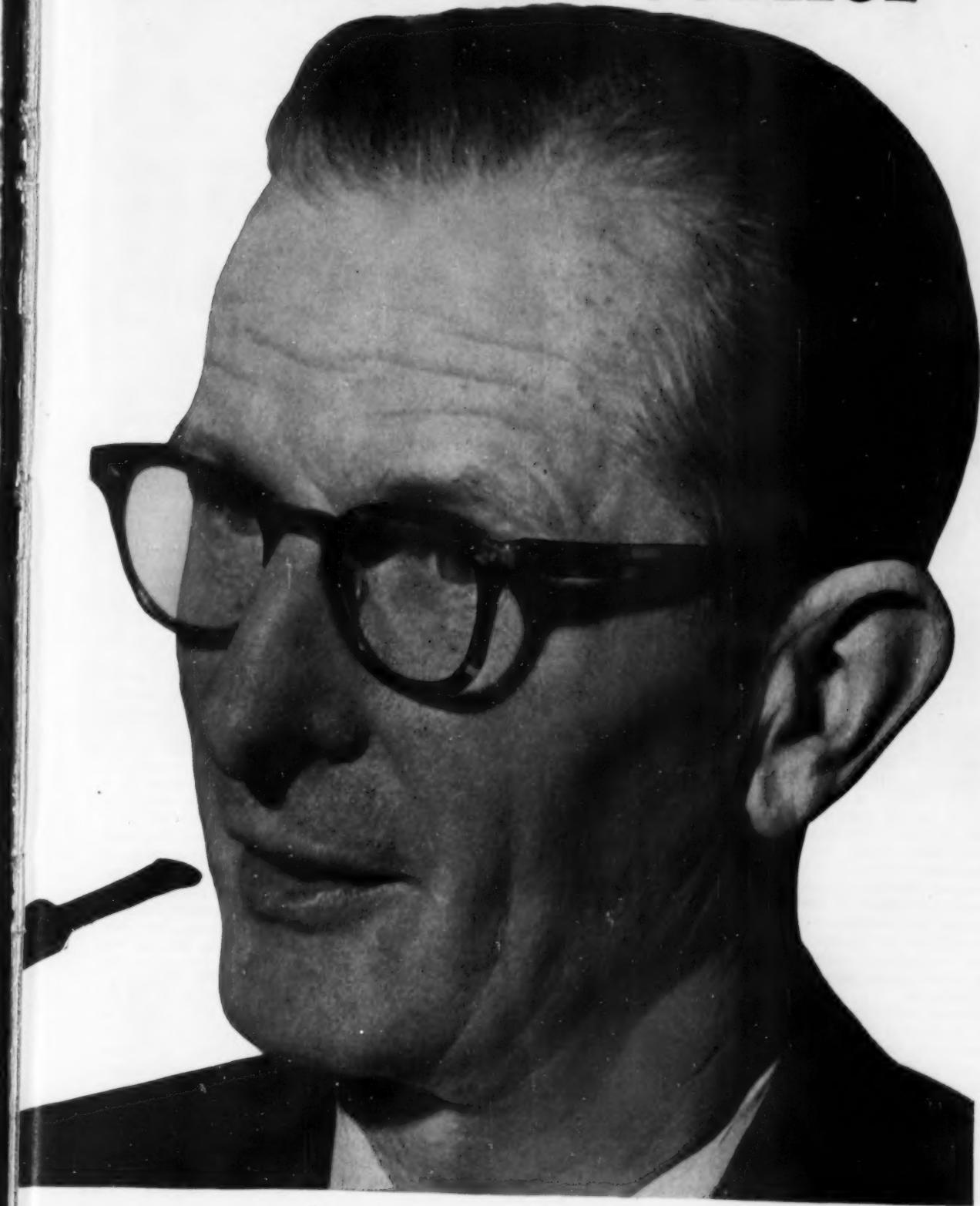
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EMPLOYER DELEGATE William McGrath who advocates . . .

## Pulling Out of the ILO

U.S. employers are threatening to sever their ties with the International Labor Organization—better known as ILO—a United Nations' agency dedicated to lifting workers' economic standards throughout the world, and having as members labor, management, and government groups from 71 countries.

Sparking the withdrawal movement is William L. McGrath, president of Williamson Co., a Cincinnati heater manufacturer. McGrath has been going to ILO meetings as delegate and adviser on and off since 1949. He now thinks the Iron Curtain countries are getting more than their share of recognition.

• **Support**—McGrath seems to have considerable support in both the U.S. Chamber of Commerce and in the National Assn. of Manufacturers, which jointly nominate the employer delegate. The actual appointment is made by the President.

However, withdrawal isn't likely this year. Prospect is that the two business organizations will commit themselves to participation in 1956 and, at the same time, ask Eisenhower to appoint a commission to study the issue.

McGrath wants more than just employer withdrawal. He has written to the President urging that the U.S. sever all ties with ILO "forthwith." That would mean withdrawal of govern-

ment and worker delegates as well.

Such a step seems no more likely than U.S. withdrawal from the United Nations. For one thing, it would cripple the prestige of ILO. Second, it would be a financial blow, since the U.S. underwrites 25% of ILO's budget.

• **Adversary**—McGrath's chief adversary is Labor Secy. James P. Mitchell. McGrath's letter to the President was referred to Mitchell, who will collaborate with the State Dept. in drafting a reply.

Mitchell's position is clear: "It has been the policy of the U.S. to participate in the ILO. There is no question in my mind that it will continue to be the policy. This matter has not been raised by anyone we know of except one individual named McGrath."

• **Boycott**—Employer attitudes, however, may stiffen to the point where Mitchell will have to take a more conciliatory position.

Last June at Geneva, the U.S. employer delegation boycotted all the conference committees because Communist employer delegates were admitted. The Communists were given only "deputy" status—voice but no vote—but this was unacceptable to McGrath.

McGrath argues that it is absurd to think an employer delegate from, say, Rumania speaks for anybody but the state and the Communist Party.

• **Workers' Plan**—Western worker delegates feel just as strongly about the lack of independence of the Communist worker representatives. But they believe that the solution lies in working out a plan that will force the large non-Communist majority of workers and governments, as well as the employers, to draw a legal line between representatives of free and unfree workers and employers.

Many trade union leaders, in fact, see this conflict as a fine opportunity to brand the Communist unions in a world congress as tools of the state, and not free organizations.

A three-nation committee has been set up to inquire into the question of the independence of employer and worker delegates. When the committee was not prepared to report at the ILO governing body meeting last fall, McGrath charged stalling. He said that meant the issue could not go on the agenda of the June, 1956, conference.

Many interested observers do not believe that the original ILO concept of tripartism and universality can be maintained. They contend that the rise of Socialist governments has changed the nature of employment in many countries since ILO was founded. To keep up with the changes and to keep ILO effective, they say, may require changing the present tripartite structure of the organization. **END**



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# In Labor

## Rail Workers Ask Congress For 15% Boost in Pensions

The nation's railroad workers are asking Congress to raise pensions 15% by amending the Railroad Retirement Act.

Under the law, the workers now put 6½% of pay up to \$350 a month into the pension fund; carriers contribute an equal amount. On retirement or if disabled, a worker receives up to \$144 a month in benefits. This is in place of Social Security benefits.

Unions representing 14-million rail employees propose:

- Deduction of the workers' pension payment from pay before the federal withholding tax is figured, not afterward as now; this would cut the withholding tax.

- An increase in pension contributions from 6½% to 7½% to make possible the 15% boost in benefits; this increase in cost to workers would be largely offset by the cut in the withholding tax, the unionists say.

George M. Harrison, president of the Brotherhood of Railway Clerks, outlined the union proposal in Chicago last week.

• • •

## Plumbers Add Their Pressure To Labor Front in Kohler Strike

One of the signs of unity in the labor movement is a "Don't buy Kohler" campaign backed by the Plumbers & Pipe Fitters Union—the craftsmen most directly concerned with the installation of products of the strikebound Kohler Co.

The Plumbers & Pipe Fitters Union has advised members nationally that a 21-month strike against Kohler by the United Auto Workers is for "a just and righteous cause," and should be supported.

But while urging members to "request" master plumbers and other employers and the public not to use Kohler products, the union cautions members not to refuse to handle Kohler plumbing ware if told to.

"If you should refuse to handle and install Kohler products on the job, such actions would be a secondary boycott in violation of the Taft-Hartley Act and state laws," the union warned.

• • •

## Jurisdiction Over Unborn Jobs Drags Out Routine Bargaining

Detroit newspapers are on the streets again.

Wage increases averaging \$3.75 a week this year and \$2.75 more in 1957 ended the strike, which began before Christmas (BW—Dec. 17 '55, p43). These could have been negotiated much sooner except for the emergence of an

issue that has significance for all who deal with union craftsmen.

Automation in production will mean new ways of doing old jobs—and often will mean cutting across former jurisdictional lines. What happened in Detroit illustrates that.

Newly developed printing processes—not yet even contemplated in Detroit—would eliminate one phase of work being done by members of the International Typographical Union. ITU members now place type into forms from which mats and, in a subsequent step, semicircular lead plates are made. New processes provide for galley proofs of ITU-set type to be pasted onto cardboard forms from which plates are made for the press by photographic and engraving work.

Because ITU workers will be displaced, the union claims the new work. But so do two other unions—the American Newspaper Guild, which represents artists, and the Photo-Engravers' Union.

ITU refused to sign a Detroit contract that would not recognize its jurisdiction over the new jobs; the Guild (which also has reporters as members) and the Photo-Engravers wouldn't sign a pact surrendering the jobs. The result was an impasse broken only through a compromise that was accepted largely because the new processes won't be used in Detroit during the two-year contract period.

Other publishers may face the same fight. And employers in other industries may face similar ones—not necessary when new processes are adopted but when there is even a possibility of changes involving jobs.

• • •

## Illinois Employer Groups Unite For Fight on SUB Integration

Five major employer organizations in Illinois have united to oppose simultaneous payments of state unemployment compensation and employer-financed supplemental benefits.

The United Auto Workers, backed by other unions, is seeking Illinois approval of integration. If it is obtained, SUB plans will begin paying benefits June 1; if not, there may be a delay in integration nationally.

Under Illinois law—and laws of many other states—partial pay from an employer during a layoff must be deducted from state UC benefits. If the "wage" from the employer exceeds the amount of UC due, no state benefit is paid.

UAW wants the state to decide that SUB does not constitute employer-paid wages, and so does not bar simultaneous state benefits. The Illinois employer associations, banded together in an Information Committee on Unemployment Benefits, contend that no administrative ruling can legally approve integration. They argue that this could be done only "by changing the Illinois law . . . a matter for consideration by the state legislature," which doesn't meet again until 1957.

Administrative rulings permitting UC-SUB integration have been made in Michigan, New York, Massachusetts, Connecticut, New Jersey, and Delaware. But employer associations in several of these states have indicated that injunctive action will be taken if state benefits are paid to anyone receiving SUB (BW—Jan. 21 '56, p63).



### MAJOR AREAS of Substantial Labor Surplus

**INDIANA:**  
Terre Haute, Evansville

**MASSACHUSETTS:**  
Lawrence, Lowell

**MINNESOTA:**  
Duluth-Superior

**NEW JERSEY:**  
Atlantic City

**NORTH CAROLINA:**  
Asheville, Durham

**PENNSYLVANIA:**  
Altoona, Erie, Johnstown, Scranton, Wilkes-Barre-Hazleton

**PUERTO RICO:**  
Mayaguez, Ponce, San Juan

**RHODE ISLAND:**  
Providence

**WASHINGTON:**  
Tacoma

**WEST VIRGINIA:**  
Charleston

### SMALLER AREAS of Substantial Labor Surplus

**ALABAMA:**  
Anniston, Florence-Sheffield, Jasper

**CONNECTICUT:**  
Danielson

**ILLINOIS:**  
Harrisburg, Herrin-Murphysboro-West Frankfort, Litchfield, Mount Carmel-Olney, Mount Vernon

**INDIANA:**  
Michigan City, Laporte, Vincennes

**KANSAS:**  
Coffeyville-Independence-Parsons, Pittsburg

**KENTUCKY:**  
Corbin, Frankfort, Hazard, Henderson, Lexington, Madisonville, Middlesboro-Harlan, Morehead-Grayson, Owensboro, Paintsville-Prestonburg, Pikeville-Williamson

**MAINE:**  
Biddeford-Sanford

**MARYLAND:**  
Cumberland

**MICHIGAN:**  
Escanaba, Iron Mountain, Marquette

**NEW JERSEY:**  
Bridgeton, Long Branch

**NEW YORK:**  
Amsterdam

**NORTH CAROLINA:**  
Fayetteville, Kinston, Mount Airy, Rocky Mount, Shelby-Kings Mountain, Waynesville

**OKLAHOMA:**  
 McAlester

**PENNSYLVANIA:**  
Berwick-Bloomsburg, Clearfield-DuBois, Indiana, Kittanning-Ford City, Lewistown, Lock Haven, Pottsville, Sunbury-Shamokin-Mt. Carmel, Uniontown-Connellsville

**SOUTH CAROLINA:**  
Marien-Dillon

**TENNESSEE:**  
Bristol-Johnson City-Kingsport, LeFollette-Jellico-Tazewell

**TEXAS:**  
Texarkana

**VERMONT:**  
Burlington

**VIRGINIA:**  
Big Stone Gap-Appalachia, Covington-Clifton Forge, Radford-Pulaski, Richlands-Bluemfield

**WEST VIRGINIA:**  
Beckley, Bluefield, Fairmont, Logan, Point Pleasant-Gallipolis, Ronconverte-White Sulphur Springs, Welch

© BUSINESS WEEK

## Fewer, But Still a Blotch on the Map

The map and charts above show the "pockets of chronic unemployment" referred to by Pres. Eisenhower in his State of the Union message.

Already in Washington a battle is taking shape over how the federal government should provide aid for these economic distress areas. Sen. Paul Douglas (D-Ill.) has drafted a bill that has labor support. It is ambitious and differs sharply from the Eisenhower Administration's more conservative proposal for solving the problem (BW Jan. 14 '56, p77).

According to the latest Bureau of Employment Security reports, 19 major areas in the U.S. have an extensive surplus of labor. In addition, 65 smaller

areas have a large labor surplus. Although BES changed its method of classification during 1955, the 84 areas now rated as having a substantial surplus can be compared with 144 areas where similar conditions existed at the beginning of 1955.

Total unemployment has decreased, too. Early 1955 Bureau of Census figures listed 2.8-million unemployed, or 4.4% of the total U.S. work force. Latest Census figures show that 1956 got off to a better start, with 2.4-million unemployed, or 3.6% of the work force.

BES classifies a labor market area as having a "substantial labor surplus" under the following conditions:

- If there are more people hunting jobs than there are jobs—a condition expected to last at least four months.

- If the ratio of unemployment to the total labor force in the area is 6% or more.

- If requirements for nonagricultural labor show that for two-month and four-month intervals, employment will decline or show no significant increase.

- If seasonal or temporary factors are not the cause of the current or anticipated labor surplus. To combat these conditions, the 1956 President's Economic Report calls for establishment of the Area Assistance Administration in the Commerce Dept. **END**

# Union War Plan

AFL-CIO draws up a secret list of nonorganized plants that will be gunned for in next drive.

The AFL-CIO has compiled a list of nonunion plants on a city-by-city basis in preparation for a national organizing drive scheduled to start next month. Completed last weekend, it is a top-secret guide to where labor's widely publicized new push for members will be concentrated.

• **Finding the Gaps**—The federation's 22 regional directors, aided by the AFL-CIO research department, surveyed all major and minor industrial areas across the country to pinpoint unorganized plants and industries. According to some unionists, the findings—now being studied in Washington—were "surprising" evidence of gaps in labor's organized ranks.

The survey will be placed before the AFL-CIO executive council meeting in Miami Beach in early February. Plans for the 1956 drive and top priority targets will be ratified at that time. But there will be "no premature announcements" of the nonunion strongholds to be brought under attack. According to John W. Livingston, director of organization, the federation doesn't want to "tip its hand" on strategy.

Southern workers, of course, will be a major target of the coming campaign. But "a southern drive, as such, isn't contemplated," Livingston said in Washington this week. Instead of a 1956 version of Operation Dixie conducted without notable success in the mid-1940s, AFL-CIO plans a national drive—without "slogans and fanfare." The federation's 320 organizers will be assigned throughout the country according to sparsely unionized industries instead of on a regional basis, as before.

• **Line of Attack**—The activities of this organizing corps (backed by an initial \$4-million in funds and a promise of more, if necessary) will be concentrated on:

• Unionizing "holdout" plants in areas generally considered to be tightly organized. In Illinois and Iowa, comprising AFL-CIO Region 14, for instance, the federation survey found 500,000 nonunion workers in 94 different industries and crafts, and these will be the target of a union mop-up operation.

• Organizing industries and groups of workers shown by the AFL-CIO survey to be predominantly unorganized nationally.

The biggest federation efforts probably will be directed against the latter

broad group, leaving the mop-up campaign largely to staffs of AFL-CIO internationals and to state and local federations.

• **Targets**—Offhand, says Livingston, the industries most likely to be prime targets of the 1956 drive are the chemical, textile, wood, paper, and shoe industries. And, he notes, organizing has "a tremendous potential" among white collar workers—particularly those in government, state and civic employ-

ment, in the retail field, and in general offices (page 126).

Because many of the industries on the AFL-CIO list have large segments unorganized in the South, much of the federation's advance propaganda is directed below the Mason-Dixon Line. For instance, AFL-CIO is circulating Census Bureau figures showing the average family in the South earned only \$3,300 in 1954 as compared with \$4,500 for the rest of the country.

## Cost of Living: What's Happening to It

	Total Cost of Living	1947-49 = 100			
		Food	Clothing	Housing	
		Total	Rent Only		
December, 1948	103.0	101.5	104.8	103.7	103.0
December, 1949	101.0	97.7	97.1	104.2	107.0
December, 1950	106.9	107.1	102.2	109.4	110.4
December, 1951	113.1	115.0	108.1	113.9	115.6
December, 1952	114.1	113.8	105.1	116.4	120.7
December, 1953	114.9	112.3	105.3	118.9	127.6
December, 1954	114.3	110.4	104.3	119.7	129.4
January, 1955	114.3	110.6	103.3	119.6	129.5
February	114.3	110.8	103.4	119.6	129.7
March	114.3	110.8	103.2	119.6	130.0
April	114.2	111.2	103.1	119.5	129.9
May	114.2	111.1	103.3	119.4	130.3
June	114.4	111.3	103.2	119.7	130.4
July	114.7	112.1	103.2	119.9	130.4
August	114.5	111.2	103.4	120.0	130.5
September	114.9	111.6	104.6	120.4	130.5
October	114.9	110.8	104.6	120.8	130.8
November	115.0	109.8	104.7	120.9	130.9
<b>Dec., 1955</b>	<b>114.7</b>	<b>109.5</b>	<b>104.7</b>	<b>120.8</b>	<b>131.1</b>

Data: Dept. of Labor, Bureau of Labor Statistics.

©BUSINESS WEEK

## Steadiest Year Since Before the War

With a decline in December, the cost of living index leaves "escalator-adjusted" wages unchanged.

Living costs last year showed the "greatest stability" of any year since 1940, the Bureau of Labor Statistics announced last weekend. The year ended with costs down slightly from November to 114.7% of 1947-49 living costs. The decline—the first since August—left the BLS index at the end of 1955 just 0.4% higher than a year earlier.

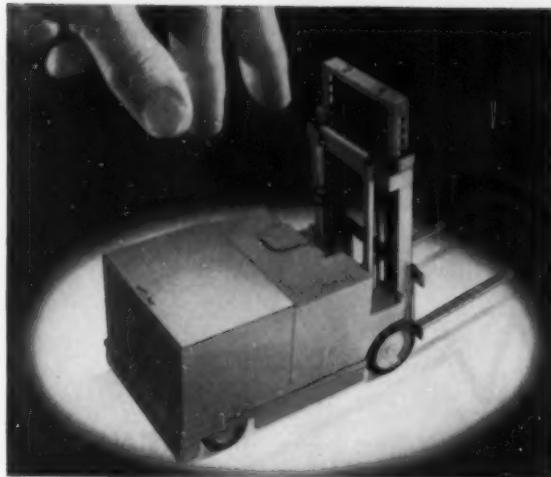
The December index level means "escalator" wages of General Electric Co. and Sylvania Electric Products Co. employees remain unchanged. These groups and a number of others have c-of-l contracts that provide for adjustments—if warranted—each calendar quarter.

The bulk of c-of-l contracts, covering more than a million workers in autos and other industries, call for the

next quarterly review when BLS' January figures come out, a month from now. It will take a big jump in costs—to 115.2%—to give auto workers another penny in pay.

During the past year, the government's c-of-l index fluctuated between 114.2% (in April and May) and 115% (in November) for a "stabilized" range of 0.8%. Housing, apparel, and service items climbed to higher levels during the year; food costs declined (table).

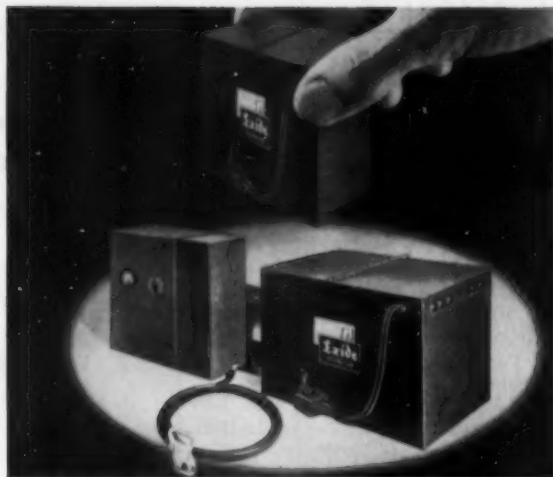
Meanwhile, according to the Labor Dept., factory take-home pay rose in December to a new record high of \$73.15 a week for the worker with three dependents of \$65.79 for the single worker with none. This is a 30-cents-a-week gain for the month, and it brings the total jump in factory take-home for the year to \$4.50 a week. **END**



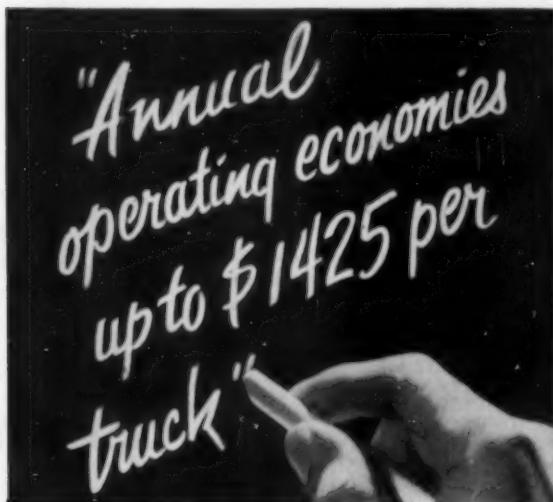
**YOU BUY ONLY THE TRUCK CHASSIS.** Choose any make of battery-powered electric industrial truck. Buy one truck or an entire fleet.



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## THE MARKETS

### Wall St. Talks . . .

... about Sproul's doubts . . . building prospects . . . bank loans . . . the drop in Hawaiian-American . . . Seiberling acts.

Wall Streeters, especially the uneasy ones, are still pondering the way in which Allan Sproul, president of the New York Federal Reserve Bank, aired his doubts of the consumer credit situation. Asked Sproul: "Will it then become clear that we drove our productive capacity to unsustainable limits—for the present—by borrowing consumer demand from the future."

An 8% to 10% drop in home building is in sight for 1956, in the opinion of Roy Wenzlik, building analyst. Because this is an election year, Wenzlik looks for a return later to no-down-payment terms—as do many Streeters. Without an easing of credit, he thinks the drop might be 18% or 20%.

A banker's eye view of the bank loan picture as reported by Aubrey G. Lanston & Co., Inc., a government bond house in the Street, says Lanston: "Banks around the country tell us that the prospective loan demand still seems to be strong. They, therefore, don't see how interest rates can ease. . . ."

A plunge of more than \$22—down to \$98—was the Monday reaction of American-Hawaiian Steamship Co. stock, after its president, Samuel H. Mocman, said he saw "no good reason for its recent price levels." The stock had climbed from \$62.50 to \$131.25 since September.

American Viscose Corp. admits it has had some "informal" merger talks with Nopco Chemical Co.

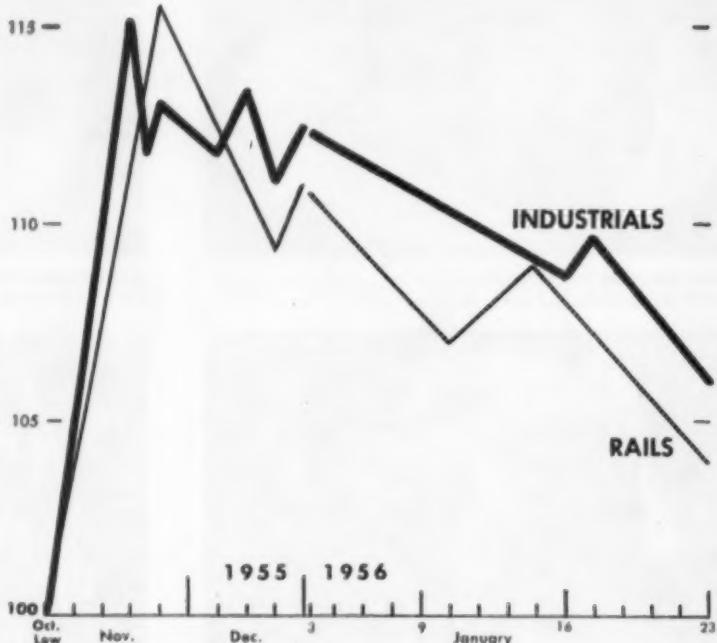
**Locking the barn?** Streeters hear that Seiberling Rubber Co. has acquired counselors on both stockholders and public relations, since the company learned that the Edward Lamb interests (BW—Nov. 20 '55, p29) had picked up more than 25% of its stock.

**Market letter gleanings:** ". . . A little less optimism for a while might be constructive." (W. E. Hutton & Co.) . . . "The market is likely to remain a nervous trading affair." (Goodbody & Co.) . . . "Some cash should be held for favorable investment later." (E. F. Hutton & Co.) . . . "Selectivity is . . . the order of the day." (Daniel Reeves & Co.)

October Low = 100

120 —

### THE STOCK MARKET: A testing of its October low could be near



Data: Standard & Poor's Corp. Daily Stock Price Indexes.

© BUSINESS WEEK

### Eisenhower Is the Pivot

In his economic report to the nation, (page 27) Pres. Eisenhower said, "When the economy has reached so high a level its near-term course is inevitably surrounded by a margin of uncertainty. . . ."

Uncertainties about the business outlook, the President's decision on a second term, and the health of the stock market itself have all been acting to give the market its worst—and most prolonged—sinking spell since last October. And, as time goes on, that "margin of uncertainty" seems to be widening.

The pivotal element in the market outlook just now probably is Eisenhower's decision. If he declines to make the race, the market would probably see a fairly prolonged sell-off. Reynolds & Co. sums up much of Wall Street's opinion: "Unless Pres. Eisenhower elects to run again the setback of the past three weeks is merely a taste of what is in store." But the sell-off will probably not be sharp, as it was following the September heart attack. The element of surprise is not there—

but the element of disappointment would be very strong.

If the President chooses to run again, the market would probably pick up sharply, with most analysts looking for new highs.

• **The Indexes**—Last week saw Standard & Poor's index of 50 industrial stocks dip to within 6% of its October low, after being 15% above it. The rail index performed even more poorly—after moving 15.5% above its October low, it had slumped to only 4% higher than that mark. Many individual issues are trading very near or well below their October lows (page 158).

One analyst, Harold Clayton of Hemphill, Noyes & Co., has pointed out that for the better than 1,000 common issues on the New York Stock Exchange, last week's decline was two-thirds as bad as the week of the President's heart attack. The decline was led by the very groups that had been spearheading the post-heart attack advance—aircraft manufacturing, steel, rubber, autos, and building materials.

Not only was the fact that the mar-

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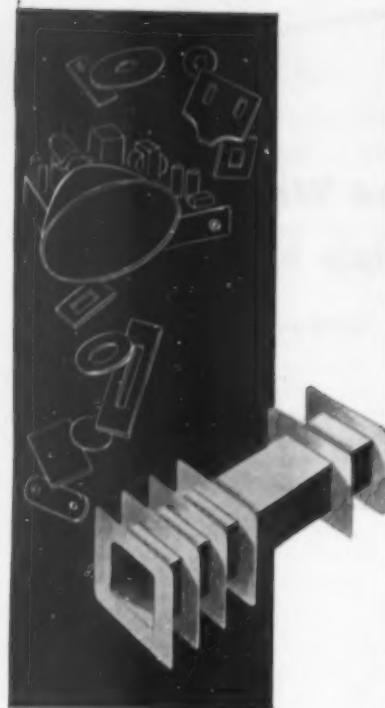
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**SPECIAL PAPERS  
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ket had penetrated its January lows taken as a sign of technical weakness, but Streeters have also been disturbed by trading volume. When the sell-off was at its worst, volume was heaviest last week. When the market finally started to rally this week the averages picked up about 15% of all they had lost since the November highs. But daily volume shrank from the 2.5-million share mark, which had been the level during the slump, to little over 2-million shares.

And the number of stocks advancing during the rally was far less than the number that had declined in the earlier slide.

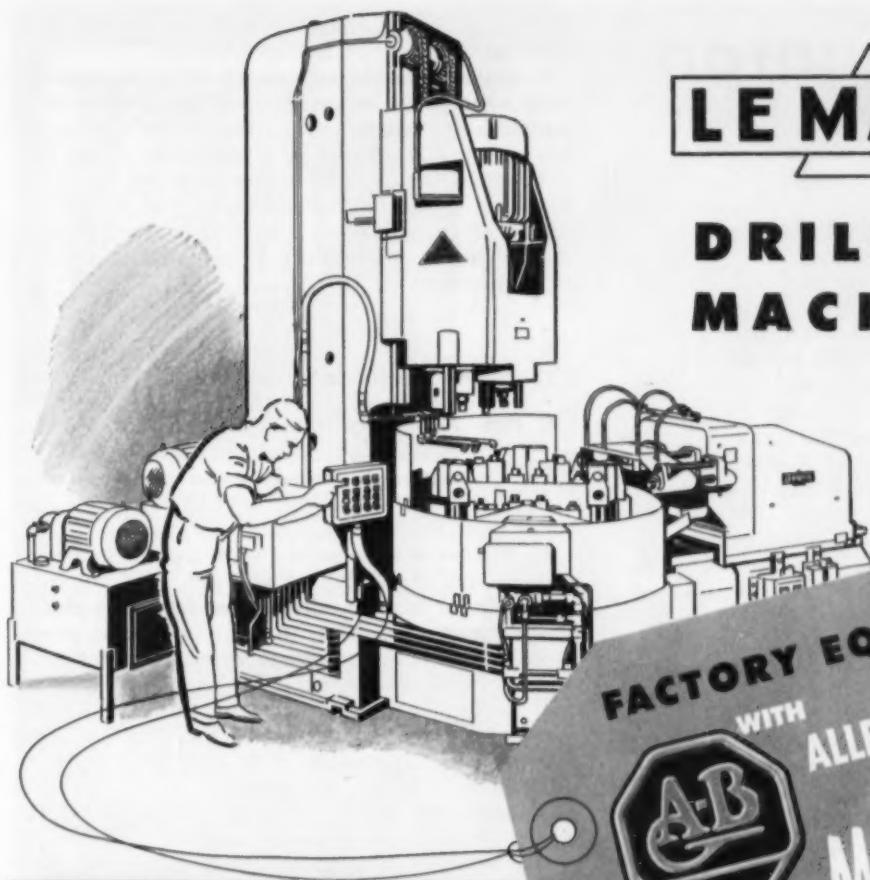
• **Short Interest**—Another, but less significant, disquieting sign came last

week when the short interest was revealed to be at the lowest level in over two years. Traditionally, a heavy short interest has been regarded as providing a solid cushion in the case of a sharp break.

In line with the general market, Ford Motor Co. stock slumped over five points from its peak premium quoted in New York. Following the offering last week, the over-the-counter price in New York rose to slightly over \$70. At one point early this week, it had slipped back to the offering price of \$64.50, and the underwriting syndicate, which was kept intact despite the fast sale of the stock, offered to buy any of the stock at the offering price, thereby putting a floor under the price at that point.

## Pushing Near—or Through—October Lows

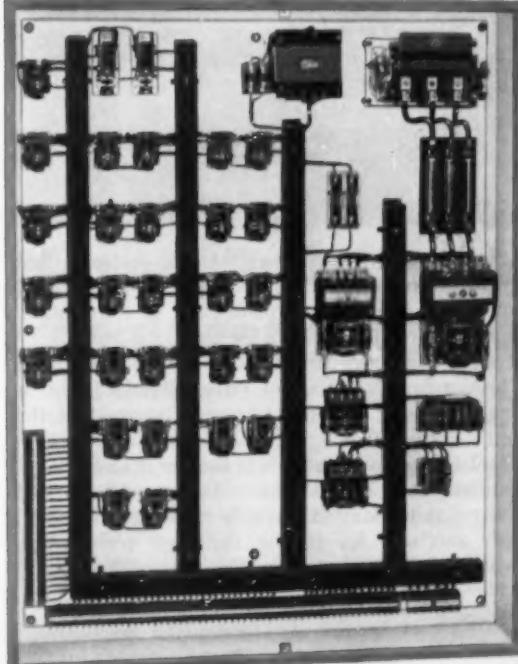
Stock	Oct. Low	1955-56 Range High	Recent Price	Percent from 1955-56 High	Percent from Oct. Low
Bethlehem Steel	\$143.25	\$169.50	\$101.50	+\$150.37	+5.0%
Corning Glass	62.00	73.75	54.00	-64.25	+3.6
Int'l. Harvester	35.12	41.12	35.12	-36.37	+3.6
Monsanto	41.62	52.62	40.12	+\$43.12	+3.6
Illinois Central	57.12	68.62	57.12	+\$59.12	+3.5
Kelsey Hayes	32.62	38.50	27.12	-33.50	+2.7
Jones & Laughlin	43.25	54.25	32.12	-44.37	+2.6
C. I. T. Financial	43.12	50.37	42.50	+\$44.25	+2.6
Crucible Steel	47.50	57.50	32.50	-48.50	+2.1
General Portland Cement	50.00	59.62	43.12	+\$51.00	+2.0
Schenley Ind.	20.00	27.37	20.00	-20.37	+1.9
Montgomery Ward	84.25	107.50	73.50	+\$85.87	+1.9
Borg Warner	39.00	48.25	34.75	-39.75	+1.9
Sylvania Elec.	42.00	49.87	41.00	+\$42.75	+1.8
Carborundum	32.00	38.37	30.12	-32.50	+1.6
Motorola	44.50	60.75	44.25	+\$45.12	+1.4
Lily-Tulip Cup	49.12	66.00	47.00	+\$49.75	+1.3
Radio Corp.	42.12	55.37	36.75	+\$42.62	+1.2
American Radiator	21.75	27.37	21.25	+\$22.00	+1.1
General Mills	68.75	77.75	66.37	+\$69.50	+1.1
St. Joseph Lead	44.00	55.00	40.00	-44.50	+1.1
Lukens Steel	41.62	51.75	39.12	-42.00	+0.9
Best Foods	44.50	56.50	43.00	+\$44.87	+0.8
Olin-Mathieson Chem.	52.00	64.87	49.37	+\$52.25	+0.5
U. S. Steel	52.12	62.25	40.12	+\$52.37	+0.5
Food Fair	52.50	69.25	43.37	+\$52.75	+0.5
Chicago, R. I., & Pacific	80.50	101.75	80.00	+\$80.75	+0.3
Coca Cola	124.25	145.00	111.50	+\$124.50	+0.2
Admiral Corp.	20.50	30.25	20.25	+\$20.50	0.0
American Optical	38.00	53.25	37.62	+\$38.00	0.0
General Motors	43.50	54.00	43.00	+\$43.50	0.0
Studebaker Packard	9.37	15.37	9.00	9.37	0.0
Pennsylvania R. R.	23.62	30.37	22.00	+\$23.50	-0.5
Lee Rubber & Tire	21.25	25.00	20.50	+\$21.12	-0.6
Rubberoid	35.00	48.75	34.62	+\$34.75	-0.7
Libby-Owens-Ford	75.75	89.75	64.75	+\$75.12	-0.8
National Steel	64.75	77.50	58.00	+\$64.12	-1.0
National Biscuit	39.00	45.25	37.50	+\$38.62	-1.0
Republic Steel	44.87	54.75	41.00	+\$44.25	-1.4
U. S. Gypsum	281.00	335.00	214.00	+\$276.00	-1.6
Borden	62.25	66.37	60.75	+\$60.75	-2.4
American Motors	8.50	13.37	8.25	8.25	-2.9
Celanese Corp.	20.00	26.25	19.12	+\$19.25	-3.8
National Dairy	38.00	43.62	36.50	+\$36.50	-3.9
National Gypsum	47.75	59.75	45.50	+\$45.87	-3.9
Maytag	31.12	35.25	25.87	+\$29.62	-4.8
Sharon Steel	42.00	49.87	33.87	+\$39.62	-5.7
N. Y., New Haven & Htd.	28.00	39.00	26.37	+\$26.37	-5.8
Allied Mills	36.25	40.00	34.00	+\$34.12	-5.9
Chrysler	90.00	101.50	66.12	+\$79.12	-12.1



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# In Washington

## Antitrusts Score Patent Victory

### In AT&T Case, Settle With IBM

Consent decrees wound up two of the government's biggest antitrust cases this week:

American Telephone & Telegraph Co. settled with the antitrust authorities on a basis that gives the government a sweeping patent victory, but leaves other aspects of the company's operations pretty much as they are.

International Business Machines Corp. signed an agreement that among other things binds it to sell as well as lease new tabulating and electronic data processing machines to its customers. Up until now, IBM has sold some machines but has kept others on a lease-only basis.

The settlement reached with AT&T makes all the company's existing patents available to domestic applicants royalty-free. Only exceptions are the three companies that, with AT&T, operated a patent pool—Radio Corp. of America, General Electric, and Westinghouse.

Involved are some 8,600 AT&T patents, including the basic ones on the transistor and color TV. And all future patents must be licensed to all comers at reasonable rates, which will be fixed by court order if the parties don't see eye to eye.

RCA (now enmeshed in a big radio and TV patent monopoly case of its own with the government), GE, and Westinghouse will have access to existing and future AT&T patents only on a reasonable royalty basis. And they can have them only if they reciprocate and make their own patents in the telephone field available to AT&T on the same basis.

Justice's Antitrust Chief Barnes claims the AT&T decree "will open up the electronics and television industry to competition."

But the settlement falls far short of the splitup asked when the suit was filed during the Truman regime. The government originally asked (1) that Western Electric be split off from AT&T, which owns the telephone operating companies known as the Bell System; (2) that Western Electric sell its 50% interest in Bell Laboratories to AT&T; (3) that Western Electric itself be split into three companies.

None of this will be done now. Western Electric remains as the manufacturing arm of the Bell System. But Western Electric and AT&T are limited to equipping and providing common carrier communications services, where the charges are subject to public utility regulation.

There is a major exception to this limitation. AT&T is permitted to furnish facilities for the government.

But the company was given five years to get out of the business of leasing and maintaining facilities for private communications—such as two-way taxi radios and two-way communications systems used by some utilities and oil companies. And Western Electric must sell—within three years—Westrex Corp., a relatively small manufacturer of sound recording equipment for the movie industry. In addition, neither AT&T nor West-

ern Electric will be able to act as distributors for equipment manufactured by outside companies.

In settling with the government, IBM also agreed to make some patent concessions and curtail some of its manufacturing activities. The company will open up certain patents on a royalty-free or reasonable royalty basis to other companies. IBM further consented to sell certain types of card-making machinery, and, by 1963, to dispose of any part of its card manufacturing facilities that amount to more than 50% of the card-making capacity in the U.S.

## Eisenhower Calls for New Deal

### On Pan Am Plea for Pacific Route

Pres. Eisenhower has called for new cards in another overseas air route case—and it looks like at least a temporary break for Pan American World Airways.

At issue is Pan Am's request to fly a great circle route to Japan and the Orient. A year ago, the Civil Aeronautics Board recommended against Pan Am's plea to be freed from a mandatory stop at a mid-Pacific point—which makes its route 1,500 miles longer than that of the rival Northwest Airlines.

At the time, Eisenhower, who has the final say, took no action on the case. Now the President has asked CAB to review its opinion in the light of changed circumstances.

He didn't say so, but the figuring is this: During the year, trans-Pacific air traffic has been profitable enough to take both Pan Am and Northwest off subsidy.

Recently, CAB has tended to permit more competition on routes where no subsidies are being paid—which might mean a reversal of the old recommendation against Pan Am.

## Oil Refiners Urged to Expand

### Capacity for Supersonic Fuel

U.S. petroleum refiners should steadily expand their capacity for turning out the new and higher grade of fuel required by supersonic airplanes and by some supersonic missiles.

That was the warning this week from Brig. Gen. Will W. White, a former official of Jersey Standard who is returning to private life after two years as chief of the Pentagon's Petroleum Logistics Div.

The fuel type, known as JP-5, is heavier than the ordinary distillates used for jet planes. Private industry and the military are working extensively to develop standard laboratory methods for testing the high temperature stability of JP-5. But progress has been painfully slow.

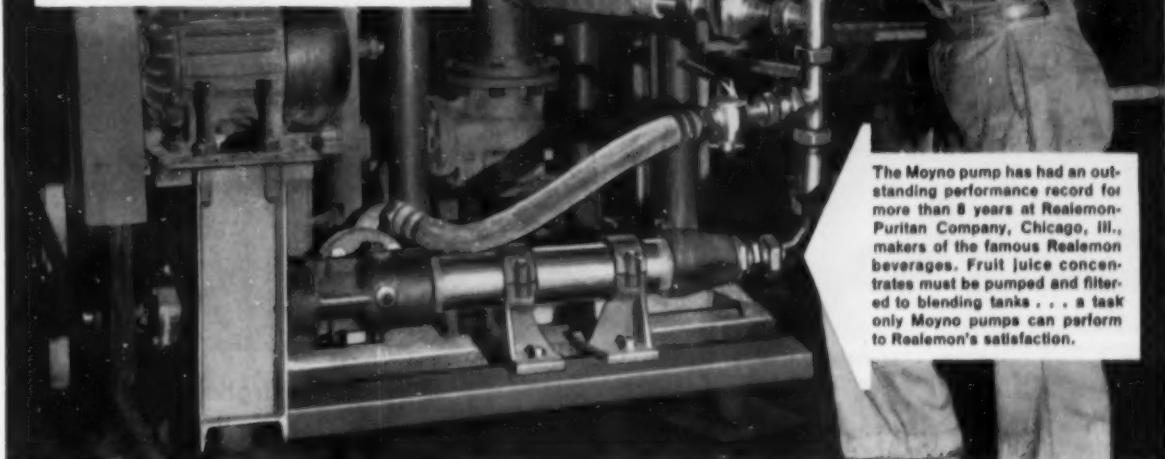
## Changed Manpower Regulations

### Give Essential Industry a Break

The government has issued new manpower regulations allowing young men with critical civilian occupations



In addition to the many permanently mounted Moyno pump installations, Realemon has two Moyno pumps mounted on wheels which can be moved to any of the 24 blending tanks. This provides a quick and economical way of blending the juices. The Moyno is self-priming; won't cavitate or vapor-lock. It has no valves to stick, no pistons to gum up. It's trouble-free and built for tough service.



The Moyno pump has had an outstanding performance record for more than 8 years at Realemon-Puritan Company, Chicago, Ill., makers of the famous Realemon beverages. Fruit juice concentrates must be pumped and filtered to blending tanks . . . a task only Moyno pumps can perform to Realemon's satisfaction.

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Realemon then changed to the Moyno pump. Its unique rotor and stator arrangement forms sealed progressing cavities that move the material and provide positive displacement. For this Realemon application, Moynos with chrome-plated rotors and synthetic rubber stators were selected, to assure trouble-free service and long pump life.

Moyno pumps have now been in operation at Realemon for more than eight years, with an outstanding performance record. The only maintenance required is simply to replace the rotor and stator about once a year.

Moynos regularly handle a wide variety of products that other types of pumps can't handle—products such as potato salad, chow mein, fruit, alkalis, pastes, paints, tar—even cement and plaster.

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# CORPORATE YARDSTICKS...

— factors which contribute  
to corporate strength, as cited  
by leading security analysts



WILLIAM R. WHITE (photographed at the New York Stock Exchange), president of The New York Society of Security Analysts, 1954-55. He is Stock Market Analyst for Hornblower & Weeks, members of The New York Stock Exchange and other principal stock and commodity exchanges.

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SUBSIDIARY:  
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special preference in the Military Reserve program.

Under one ruling, men with certain technical skills who are employed in essential industries now can enlist for only six months' active duty. Under regular induction, they would be subject to at least two years of active service. Included in the list:

- Engineers, scientists, die setters, jig and template makers, pattern makers, tool and die makers and designers, a dozen-odd other jobs.

- Industries such as defense production, health and welfare services, and education.

Skilled workers in short supply in the armed services—aircraft and engine mechanics, electronic technicians, and such—don't get in on the abbreviated program.

Another new regulation broadens the list of technicians who can transfer from the Ready Reserve to the Standby Reserve. The regulation is aimed at removing from the Ready Reserve all men who would probably be deferred from military service in case of war.

Only Ready Reservists with skills considered "in excess of military requirements" will be screened out. A machinist assigned to a Reserve ordnance unit, for instance, would most likely be kept in the Ready Reserve. So would a mechanical engineer trained as a jet aircraft pilot.

• • •

## Administration Plugs Record On Labor Law Enforcement

The Administration is telling labor people it has been doing a better job of cracking down on violators of federal wage and labor standard laws than the Truman Administration.

Labor Secy. James P. Mitchell cites figures showing that from 1950 through 1952—the last three years of the Truman regime—only 476 enforcement cases were initiated against contractors doing federal construction work. In this time, he says, only one contractor was blacklisted from further government contracts.

Mitchell gives this tally of the number of comparable cases initiated by the Eisenhower Administration: 250 in 1953, 346 in 1954, and 547 last year. In the same period 40 contractors were blacklisted. And there are 11 more blacklist cases pending.

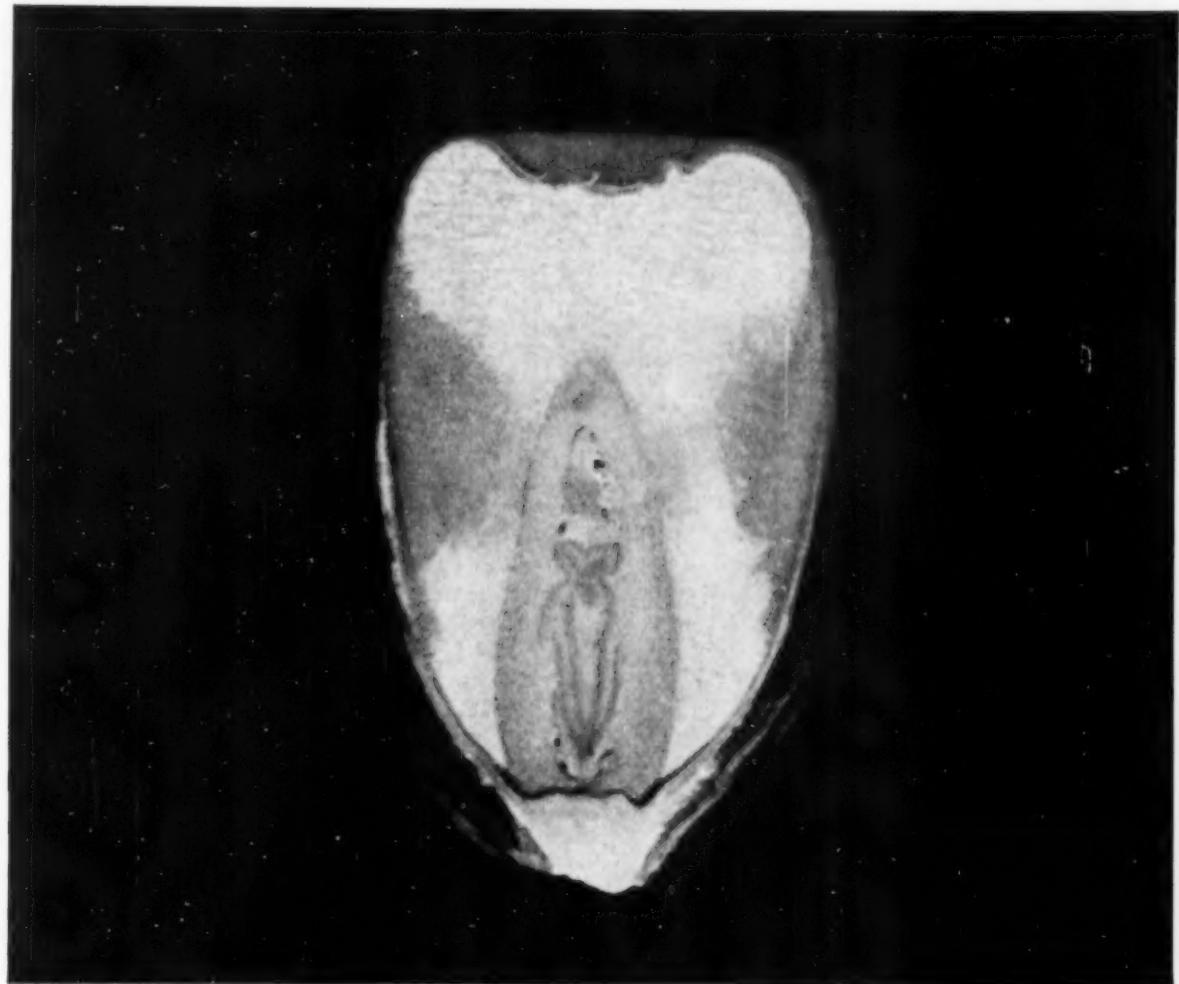


Illustration Courtesy of Corn Industries Research Foundation, Inc.

## This is a magnified kernel of corn

Its tight, tough covering *which is one of nature's finest protective packaging jobs* has been cut away to reveal the truly wonderful things inside.

As the largest single industrial user of corn the wet milling industry extracts four billion pounds of starch; a million tons of livestock feed in the form of gluten, protein and fiber; and a quarter of a billion pounds of corn oil. Corn is the largest U. S. agricultural crop. It now exceeds three billion bushels of kernels annually.

About 60% of a kernel of corn is starch. Corn starch leads all other starches in use as a base for starch specialties for industry. National is a major producer of starch specialties through chemistry—developed by a highly specialized research program.



NATIONAL STARCH PRODUCTS INC., 270 MADISON AVE., NEW YORK 16, N. Y.

# BUSINESS WEEK



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Business Week's semi-annual Index is a useful volume, designed for easy, quick reference to more than 5,000 pages of editorial and advertising content appearing in Business Week during the second half of 1955. Hundreds of America's leading companies have already placed their advance orders for this edition.

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**BUSINESS NEWS THEY TURN TO BUSINESS WEEK**

42ND STREET, NEW YORK 36, NEW YORK



**SUCCESS BEGETS SUCCESS**

More scientists, engineers and research technicians are concentrated in New York State than in any other. More craftsmen, skilled workers and trained operatives live and work in New York State than in any other. Here they find the good way of life—top-caliber schools, extensive recreational and cultural facilities, a stimulating atmosphere in alert communities. Another reason why more industries—and a greater variety of industries—operate at a profit in New York State than in any other. An important reason for locating your plant in the Empire State!

New York State is prepared to give you the particular FACTS on which you can decide exactly where in New York to locate YOUR PLANT. Our booklet—"Industrial Location Services" explains what we do, and shows how you can put our knowledge to work. For your free copy, write New York State Department of Commerce, Albany 7, N. Y.

## **NEW YORK STATE**

AVERELL HARRIMAN  
Governor

EDWARD T. DICKINSON  
Commissioner of Commerce

# PERSONAL BUSINESS

BUSINESS WEEK  
JAN. 28, 1956



There's a good chance that you're not getting your money's worth out of your bank. Most people don't. Especially if you are a business executive with a good, solid account, you can get services that you may not know exist.

Some of these services are on a courtesy basis for important customers, and are free of charge. In an emergency, a good bank will render almost any type of personal service that under ordinary circumstances your secretary would do.

For example, it will give you a fast, accurate credit-rating of a company in this country or abroad. It will make hotel or travel reservations, get passport visas or theater tickets—even buy flowers.

Much more important, of course, are the bank's special personal-business functions—handling estates, giving investment counsel, and the like. You have to pay a fee for most of these services. Sometimes it's higher, sometimes lower than what you are paying now.

It's worth checking to see how the fees do compare. Even if they are higher, you may find it worth the extra cost because the bank's thinking in a certain field is more in line with yours.

For example, the trust departments of most banks have an investment service. It would have little appeal for the speculator looking for a quick killing; banks are noted for their conservative investment philosophy. They will recommend only a program designed to conserve capital and obtain reasonable income.

You can use this service more or less as you wish. The bank is chiefly an adviser; you can keep complete control of your investments, place orders for securities that the bank recommends through your own brokers. On the other hand, you can have the bank buy the securities for you.

Usually the bank gives you a written report outlining the investment program it thinks you should have. Banks like to emphasize that the report is the result of the most detailed study of your security holdings, resources, and personal obligations.

A comparable function is the so-called custody service. Instead of keeping securities in a safe-deposit box, you would give them to the bank so it could service them as well as guard them against physical loss.

Main advantage of this is that the bank will take care of the routine details of handling securities for you—redeeming bonds, clipping coupons, reinvesting proceeds, and such. Your stock broker may do the same things, but it's worth checking to see how the service compares with that of a bank.

Your bank can be of great help in setting up your estate program. Even if you don't finally pick the bank as executor or administrator, you can get much valuable advice from it as to how you and your beneficiaries can get the most out of your estate. For good customers, this help is usually free.

Of course the bank's goal in this is to get the job of acting as the executor, trustee, or administrator of your estate, and it is well-equipped to do so. In addition, it can act as a lifetime trustee, guardian of the property of minors, and in other fiduciary capacities.

Finally, don't overlook the so-called common trust fund, which is comparatively new. Until recently, only large trusts got the full benefit

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK  
JAN. 28, 1956

of a bank's investment capacity. But the common trust fund allows relatively small estates (\$50,000 or less) to get the same wide diversity of investment as large trusts.

Fees for a bank's services along these lines are relatively low. For example, the fee for the investment service and the custody service together seldom runs higher than one-half of 1% of the portfolio, often less if the portfolio is fairly simple. Most banks publish schedules of their fees. If yours doesn't, don't hesitate to ask.

Fees for all trust services are tax-deductible, except those paid for servicing tax-exempt securities.

—•—

If you wear eyeglasses, there's a good chance that they are effective only within limits; they don't help at certain distances.

For example, a man who wears bifocals may not be able to see his face sharply in the mirror when shaving. Or when playing bridge, he can see his partner clearly through the distance segment, and the cards in his hand clearly through the reading segment. But the cards on the table are a blur.

This is because each segment is properly focused for near or distance vision; they don't cover areas in between. You'd enjoy more comfort and convenience if you got either an extra pair of glasses for this distance, or a pair of trifocals—with an extra segment for mid-distance vision.

Another point: If you often have to read wall charts, or anything else above eye-level, as well as letters on your desk, there's a way to avoid having to crane your neck—have an extra reading segment put in the tops of your lenses.

You can now get bifocals in which the whole bottom half of the lens is a reading segment, rather than just a small circular segment. This was the design of the original bifocal, invented by Benjamin Franklin. American Optical Co. has started making bifocals on the same principle. However, they are made from one piece of glass, so there is no image jump between segments.

—•—

Don't get caught in a heat-wave next summer—order your air conditioner now, when contractors can give prompt installation service. Last year many people waited till the first warm days. Orders piled so high that many units weren't installed until the end of summer.

—•—

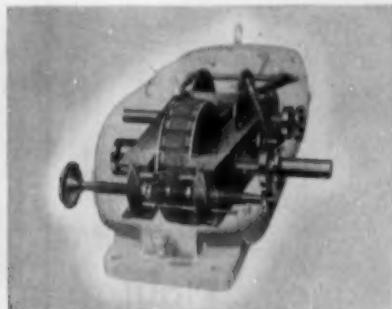
A new booklet, *Europe—Major Events*, may help you plan your itinerary abroad. It lists outstanding tourist attractions of 21 European countries from March through November, includes dates and location. It's free of charge from your travel agent.

—•—

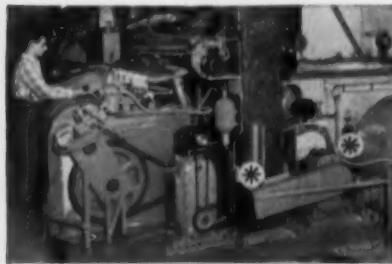
**Manners and modes:** Bermuda shorts popularized knee socks. Now knee socks are due to bring back knickers this spring. . . . Suburbia may soon become urban; population of American suburbs has gone up 59% in the last 15 years. . . . Prewar cars (1945 and older) will be almost extinct within three years.



THREE LINK-BELT P.I.V. DRIVES on this automatic production machine allow operator to select exactly the most efficient rpm for the tool and the metal he is working. He has precise, infinitely variable control of every operation.



ALL-METAL CONSTRUCTION, shown in phantom, means long operating life with little wear and maintenance.



AUTOMATIC CONTROLS are available for self-regulation of P.I.V. This jute slasher is controlled electronically.



COMPLETE DATA. Book 2274 suggests uses for P.I.V. in timing, synchronization, many other jobs. Book 2349 covers controls.

## Variable speeds, unvarying accuracy

provided by stepless, positive Link-Belt P.I.V. drives

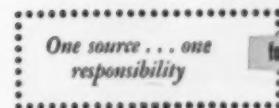
REGULATING machine and conveyor speeds . . . synchronizing and timing operations . . . metering material flow or controlling rotary motion—for countless jobs requiring infinitely variable control of rpm, all industry uses Link-Belt P.I.V.

Whereas ordinary variable speed drives depend on friction to transmit power, P.I.V. operates with an ingenious, slipless chain. It engages in radial grooves of two sets of wheels on input and output shafts. As the operator turns the control screw, one set of wheels closes . . . the other spreads. The self-tooth-forming chain automatically adjusts itself to the wheel diameters to provide desired ratio.

This grip assures positive selection of any speed from maximum to minimum settings—with any size loads and without interrupting machine operation. P.I.V. is unexcelled for accuracy, and its principle has been proved in many years of efficient service. Performance is quiet, trouble-free, unaffected by atmospheric conditions. To learn how it can extend the useful range of your machines, write LINK-BELT COMPANY, Dept. AV, 307 N. Michigan Ave., Chicago 1, Ill.

13,800

**LINK-BELT**



for materials handling

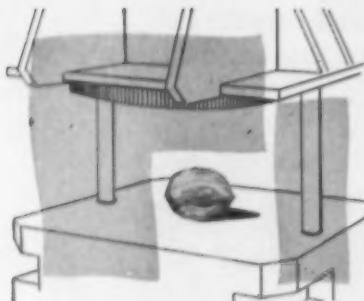


power transmission



processing machinery





## Squeeze Play!

So few people own a ten-ton press it hardly matters when one is used—expensively!—to crack an occasional nut.

### BUT—

Lots of people participate in ten-ton group insurance plans . . . use them for trivial medical expenses. That's expensive, too! Small expenses do not require insurance machinery. Heavy losses find it indispensable.

The "500" PLAN is built on the difference. It spares insurance costs from small expenses . . . gives heavy duty, high level protection against disastrous loss.

It works like your automobile deductible insurance. Ask your agent or broker for details, or write

**Zurich-American**  
INSURANCE COMPANY

135 S. LA SALLE ST. • CHICAGO 3, ILL.

**MANUFACTURERS FIND RESEARCH BY SNELL SOLVES PROBLEMS**

INQUIRIES INVITED WITHOUT COST OR OBLIGATION

**Foster D. Snell, Inc.**  
RESEARCH LABORATORIES  
29 West 15th St., New York 11, N. Y.

**B**ainbridge, N. Y.  
Baltimore, Md.  
everly Hills, Calif.

Oh, Dear! We haven't been PAID yet!

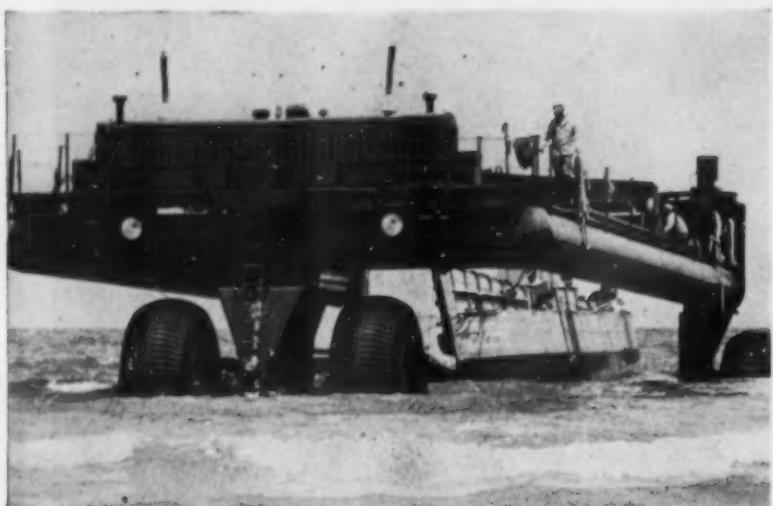
Collect current and SLOW bills faster. Friendlier. Poorly famous "BILLY" bills. The silent monoscopy work—but never antagonize. Water money roll in. Inexpensive.

WRITE FOR DETAILS!

BERNIE & CO., Dept. BW  
3534 Norway, Roanoke, Va.

WHEN BUSINESS MEN WANT BUSINESS NEWS THEY TURN TO BUSINESS WEEK

## NEW PRODUCTS

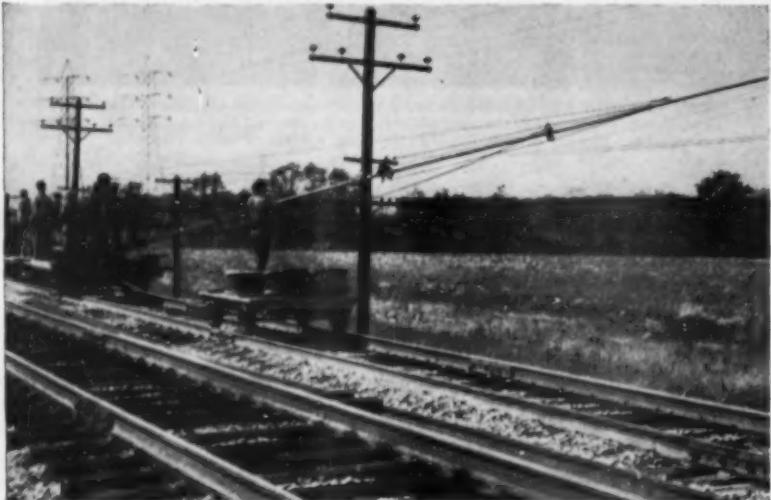


## Sea-Going Retriever for the Army

Capsized and stranded craft can be righted or carried out of the water by this giant machine built by R. G. LeTourneau. It is propelled by electric motors, tucked in the center of each wheel, operating under air pressure to prevent penetration by water. An arrangement of hoists enables the

machine to lift a 67-ton vessel out of the water. The machine was built at the request of the Army for a new piece of retrieving equipment to handle craft that become impaired during landing operations.

• Source: R. G. LeTourneau, Inc., Longview, Tex.



## New Way to Hang Wire on Poles

This mechanical rigging strings copper conducting wire along poles. The new device consists of a hoist and telescopic beam that can be fitted on all sorts of vehicles. Tubes that make up the boom can be extended 67 ft. The wire is fed from two reels at 3 to 9 mph. Pole men follow closely behind to tie in the strung wires to the insulators.

The machine was first used to string copper wire between Cleveland and Buffalo for the New York Central RR, at a reported saving of \$50,000.

Developed by a New York Central superintendent, the machine is being produced by Quint Gravatt & Co., Cleveland. Cost: about \$3,500.

• Source: Quint Gravatt & Co., 1572 Cordova Ave., Cleveland, Ohio.

# "Don't know how we ever got along without our Verifax Copier"

In thousands of offices you'll hear bosses and secretaries echoing this endorsement.

For the way a Kodak Verifax Copier eliminates retyping, dictation, waiting for copies puts it in the "indispensable" class. And the dollars it saves on job after job often exceed its low \$240 cost *the very first month*.

Here are just a few of the short cuts you'll enjoy with this *completely different* photocopier, which enables anyone to make 5 copies of a document in 1 minute—under full room light—for just 2½ cents each.

- Eliminates dictation and typing when answering letters or memos which ask questions.** Just jot the answers in the margin. Then send a Verifax copy as your reply and file the original away.
- Eliminates "I quote" memos.** Instead of dictating paragraph after paragraph from sales inquiries and other correspondence, simply send Verifax copies of the original to all concerned.
- Eliminates slow "one-copy" routing.** Everyone gets the story at once . . . can think at once . . . when you dispatch Verifax copies of magazine and news articles, etc.
- Eliminates retyping for extra copies.** If you need more carbons than you asked your secretary to make—no problem. Your Verifax Copier gives you easy-to-read copies even from carbons. *You can also use this versatile copier to make an offset plate* in one minute for less than 20¢!

**Complete list of valuable tips** for boss, secretary and office staff are included in new, free booklet, which also gives full details on Verifax Copier, Letter-Size, at \$240; and Legal-Size Copier, at \$395.

Prices quoted subject to change without notice.

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## MAIL COUPON TODAY

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EASTMAN KODAK COMPANY, Business Photo-Methods Division,  
343 State Street, Rochester 4, New York

Please send free copy of "New Time-Saver,  
New Idea for Every Office."

21

Name \_\_\_\_\_ Position \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

**Kodak**



## FLORIDA'S eleven railroads cover 7,600 miles

In sunny Florida, industry is assured of rapid, dependable rail service to all parts of the State and to other states and countries.

Florida's vast network of railroad trackage, provided by eleven separate systems, covers 7,600 miles and serves virtually every community within the State.

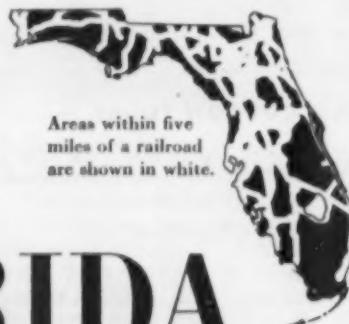
Transportation-distribution plus factors include ten motor freight carriers, 21 airlines, trainferry service to Cuba, maritime service via seventeen Florida ports of entry and a bus line network.

The adequacy of Florida's overall transportation system is contributing greatly to the State's enormous industrial expansion.

Florida is firmly established as a land of limitless opportunities for industry and business with an eye to southeastern and inter-American marketing. For here is a strategically situated land with good living, manpower supply, tax and governmental climate, unlimited industrial water supplies and low construction and maintenance costs—all contributing to your profits.

**FLORIDA FACT KIT AVAILABLE...** Information about research, water, markets, natural resources, power, education and culture, government and taxes, climate and health, labor, and transportation are now available. Complete, up-to-date, handy. Write today for the Florida Fact Kit. Address: Industrial Division, Florida Development Commission, 3502G Caldwell Building, Tallahassee, Florida.

*Plan national sales conventions, sales conferences and state and regional meetings for Florida. Exceptional facilities for any type of meeting. Get double value...successful meetings in delightful surroundings plus colorful recreational activities.*



# FLORIDA

*The Sunshine State*

### NEW PRODUCTS BRIEFS

The individual gets a break from an air conditioning system that Carrier Corp. has developed for use in multi-story buildings. Usually, a large central system delivers air of standard temperature. But under Carrier's system, conditioned air, sent through the building in small diameter ducts, can be further heated or cooled by means of thermostatic controls in each room.

**Noise and vibration** inside an aircraft can be cut through use of a pressure sensitive tape it has developed, says Minnesota Mining & Mfg. Co. The company says the tape reduces noise when it's applied throughout the inside of an airplane's fuselage.

To meet demands of a special market, Eastman Kodak Co. has developed an electronic data processing machine designed specifically to handle large volume mailing lists. The machine, to be marketed by Addressograph-Multigraph Corp., Cleveland, can print 3,000 lines of letters and numerals a minute.

Analog computers now come in do-it-yourself, ready-to-assemble kits. Produced by Heath Co., Benton, Mich., the kits will sell for \$700. The company says it takes 220 man-hours to assemble the kit, following the instructions and using a soldering iron.

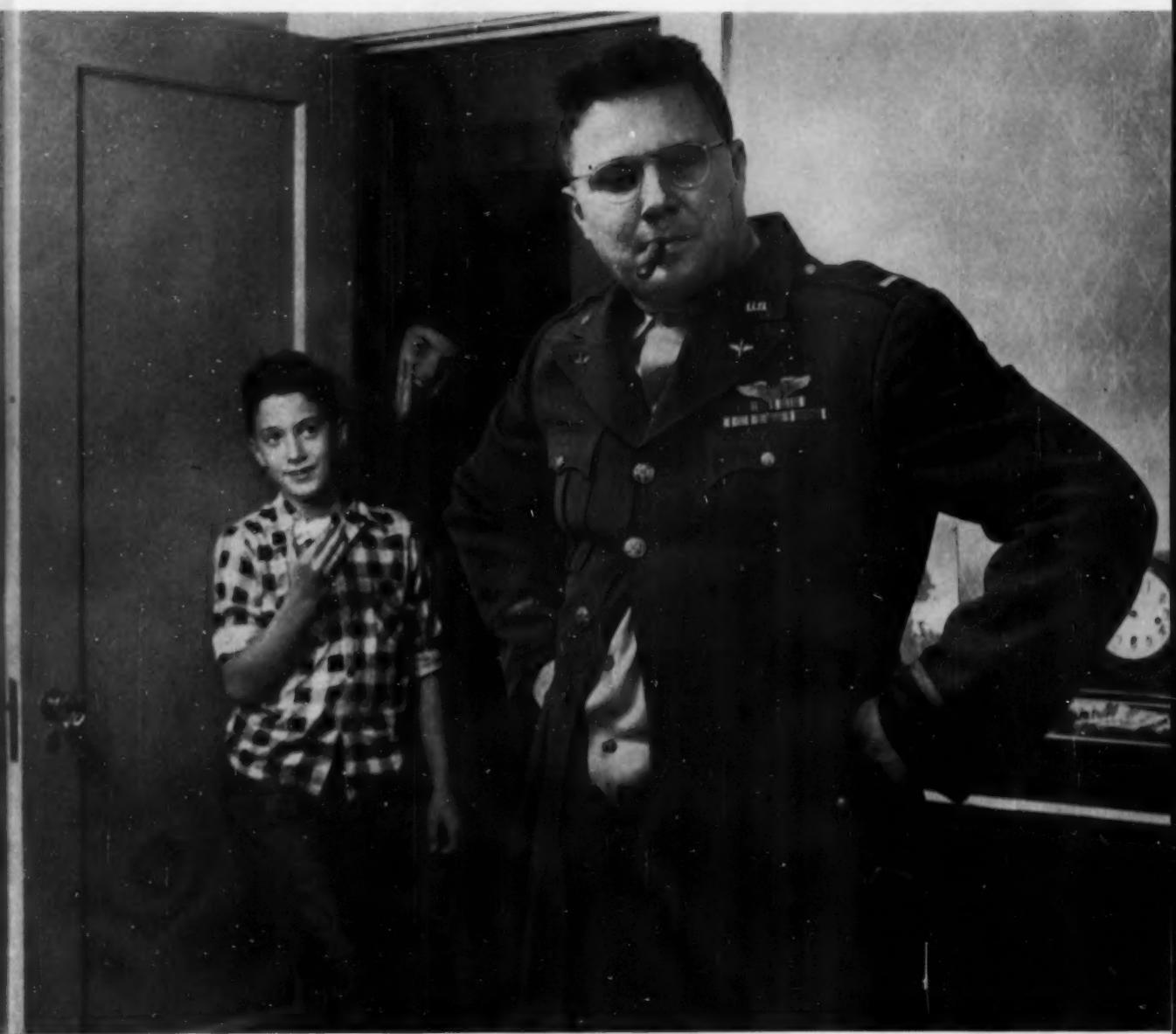
A spark plug that is said to improve engine performance at all speeds is being produced by Electric Auto-Lite Co. The big feature of the new spark plug is a protruding insulator nose that puts the spark gap nearer to the center of combustion. It costs the same as conventional spark plugs.

An amplifier for telephones to help people hear better has been developed by Fisher Research Laboratory, Inc., Palo Alto, Calif. The device, which uses transistors, operates on small mercury cell batteries. It fits over the receiver and will amplify the volume up to seven times. Cost: \$32.50.

Silicon transistors, which can operate at much higher temperatures than those made from germanium, are being produced by Raytheon Mfg. Co., Waltham, Mass. The silicon transistors can be used in guided missiles and aircraft where high temperatures rule out germanium transistors.

Oil truck drivers can now make deliveries without spattering the area around the customer's pipe. S. E. Norcross, Bloomfield, N. J., has developed a disposable pulpboard mat that protects surrounding area.

**"Must have shrunk"**



Like many a man's waist line, the job of a shipping container tends to expand with time. A few practical alterations may fit your corrugated box for its current role more effectively.

How long, for instance, has it been since you reviewed the copy and design on your container? Is it as attractive and informative as it can be? Your box is a low-cost advertising vehicle. It can also assure better warehousing and store display.

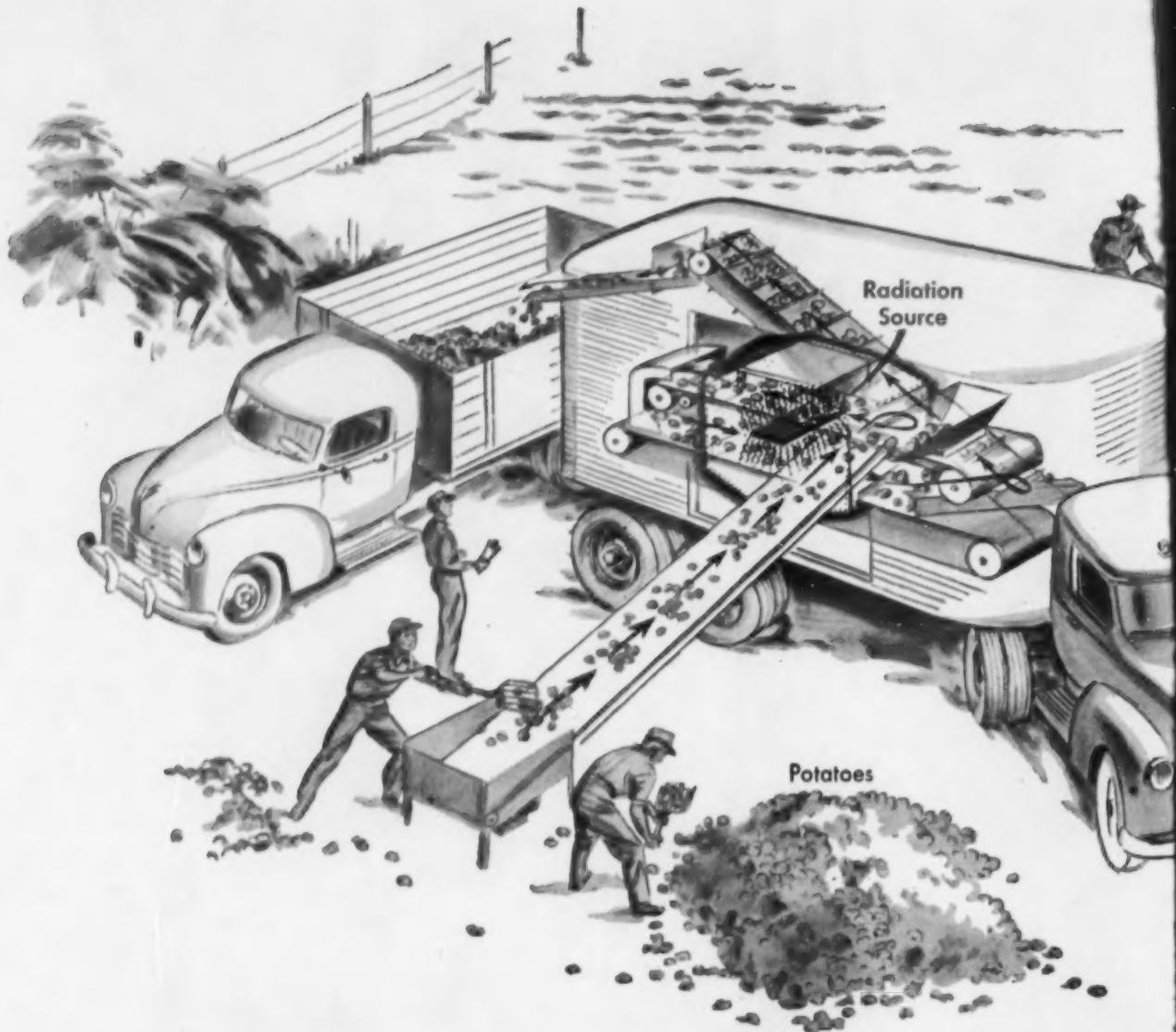
Your corrugated container representative may be able to recommend an improved design for added sales impact; more complete and rearranged identification copy to make your container easier for wholesalers and retailers to handle.

**UNION CORRUGATED  
SHIPPING CONTAINERS**



Union Bag & Paper Corporation  
Woolworth Building, New York 7, N. Y.

*Take a good look at your shipping container.*  *Everyone else does.*



## Preserving Potatoes With Atomic

The day is coming nearer when foods, such as the potatoes in the drawing above, will be irradiated by atomic energy to make them keep longer in storage.

Tests are already under way on what happens to 70,000 lb. of irradiated potatoes in the next two years. The potatoes—50,000 lb. from Maine and the rest from Idaho—have been exposed to radiation in the Atomic Energy Commission's material testing reactor at Arco, Idaho.

If the tubers show, as expected, a longer life in storage and prove to be free from changes in appearance and

taste, producers and buyers will be eager to see the process put into commercial practice. In anticipation of that day, AMF Atomics, Inc., a subsidiary of American Machine & Foundry Co., is developing a portable rig that can irradiate potatoes in the field.

The drawing above is an artist's conception of such an outfit. The company is also thinking, longer-range, of similar equipment for irradiation of wheat and other grains, fresh fruits and vegetables, and spices.

• **Cooperative Project**—The irradiation study by AMF and other companies, along with government agencies and

colleges, has been spurred by contracts from the Food & Container Institute of the Army Quartermaster. The potato pact calls for the first commercial evaluation of radiation effects on food products. The tests are designed to check radiation effects on potatoes from the time they leave the farm until they end up as French fries, potato chips, starch, or other products.

The Atomic Energy Commission, through contracts with universities and industrial firms, has been conducting experiments in radiation of foods for the last five years. In the main, however, this has involved laboratory-scale



changes are costly and, in some cases, not too effective.

## I. Millions at Stake

The QM Food & Container Institute, acting for all the armed forces, expects to spend \$10-million to \$15-million over the next few years to find some of the answers to such problems. For example, it recently contracted with North American Aviation, Inc., to run tests of various radiation sources to establish the respective merits of each.

Defense Dept. interest in food radiation is understandable. The armed forces buy about \$2-billion of perishable foods annually. It pays another \$40 per man per year for refrigeration of these products. If the price is right, food radiation could cut refrigeration costs. Just as important, it would ease logistical problems, such as frequent resupplying of remote bases and warships.

• **Key Questions**—The institute's potato study aims at finding answers to two questions of key significance to military sources. Both are highly important to commercial interests.

First, low-intensity radiation—15,000 roentgens and 30,000 roentgens—will be employed rather than the millions required for sterilization. Tests have indicated that radiation at these levels will extend potato storage life and produce other benefits without appreciably affecting taste or appearance.

Second major factor to be checked is effect of radiation on handling. That is, will potatoes bruise or suffer other damage more readily after irradiation as they go through conventional handling, packaging, and storage? So far, tests have convinced such experts as AMF's William E. Chamberlain, who is coordinating the potato project, that the effect will be just the opposite—irradiated potatoes will stand up better. But the evidence to date has been based only on laboratory experiments.

• **Wider Exploration**—The scope of the new tests is a lot broader. Two phases—chemical and physical effects, and storage life—will be studied by the University of Maine, Cornell University and the University of Michigan will check into the wholesomeness of irradiated potatoes, and Columbia University will study nutrition values. Makers of potato products will look into the behavior of irradiated potatoes in various processing stages. AMF will come up with cost data, with the help of other contractors, including the Bangor & Aroostook RR.

• **Business Value**—The food industry is keenly interested in the tests. Growers, particularly in Maine, ruefully recall good crop years in which they have been stuck with sprouting or otherwise spoiled potatoes. Processors



Model HA  
"PAYLOADER"  
18 cu. ft. bucket capacity

### "Our new **PAYLOADER** does the work of 2 machines"

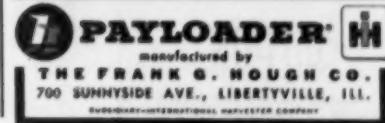
So says Mr. Ernest Dickerson, Plant Supt. of Valiant Fertilizer Company, Laurel, Delaware. In further praise of their new-design model HA "PAYLOADER", he adds,

"This increase (in work capacity) is made possible by the roll-back bucket action which carries more bulk material. The low-carrying bucket offers better vision and safety. Torque converter drive and bucket design gives longer tire life, less spillage and good floor clean-up. 10 years' experience with 10 'PAYLOADER' units."

Efficient handling of all kinds of bulk materials and earth, both indoors and outdoors, is a daily task of "PAYLOADER" tractor-shovels at thousands of plants, pits, yards and construction sites. They are available in seven sizes from 18 cu. ft. to 2 cu. yd. bucket capacity to meet every need, and there's a nearby Distributor with the experience and facilities to serve you.



Model HO —  
a big, powerful 4-wheel-drive  
"PAYLOADER" with 2 cu. yd. bucket



# How Industry Found a Way

- TO PROBE FOR FLAWS WITH A "HOT" ROD
- TO "SMOOTH OUT" A SALES APPROACH
- TO PRINT PICTURES ON A METAL PLATE



• **THE ATOMIC AGE** has brought a new method of exposing x-ray film for quality-control work in industry. A small mass of radioactive cobalt in many instances replaces the x-ray machine in checking for hidden flaws in metal products.

Du Pont makes an industrial x-ray film that is ideally suited for "atomic-age" testing. Known as Type 506, it's a film that has high sensitivity to cobalt 60 radiation, for instance. It stands up to rugged handling—as pictured above—where a sheet, placed in a flexible holder, has been wrapped around a casting. Type 506 has fine grain, high contrast, and wide exposure latitude.

Du Pont makes two other industrial x-ray films that have wide use in testing and inspection. Type 504 is a high-speed, medium grain film, while Type 510 is a very fine grain film.

If x-ray inspection is used in your plant, write for a free technical book on Du Pont industrial x-ray products.

introduction of a new product line. Using a hidden camera, the new sales technique was put on motion picture film. Then the film was used to train saleswomen in other department and specialty stores.

This "hidden camera" technique was possible because of a Du Pont motion picture film that is so "fast" it needs only the dim store light for exposing. Du Pont High Speed Rapid Reversal Film, Type 931, was used to make the film. A frame from the movie is shown in the picture.

Whether you want to produce a sales-training, or a plant movie, Du Pont has a black-and-white film that you can use. The coupon will bring the facts.



• **PICK YOUR SURFACE** and print a picture on it! That's what you can do when you use Du Pont "DH" photographic emulsion. Mix "DH" with water, spray it on, and you can use it for templates, for sensitizing large pieces of fabric, or for making photomurals on walls or ceilings.

Lockheed Aircraft Corp. uses "DH" emulsion to cut production costs. They spray "DH" on large sheets of metal and expose it like a photographic paper with a negative to make templates. Results—photographically accurate parts for planes. High standards are maintained with a minimum amount of waste.

Coatings of "DH" can be applied to almost any surface, regardless of size, shape or flexibility. Du Pont "DH" emulsion comes in dehydrated form, it's stable, and when protected from light and high temperatures, it keeps indefinitely.

We'll be glad to send complete information about this remarkable product.



• **A CANDID MOVIE CAMERA** looked on a new sales technique . . . and helped develop a polished approach to use in the

**DU PONT**  
**PHOTOGRAPHIC**  
**PRODUCTS**



BETTER THINGS FOR BETTER  
LIVING . . . THROUGH CHEMISTRY

2001  
Du Pont  
N2420-3  
Wilmington 98, Delaware  
Please send me more information on . . .

Name . . . . .

Firm . . . . .

Title . . . . .

Street . . . . .

City . . . . . State . . . . .

Please have your Technical Representative call.

would prefer to stretch out their working season, rather than have it tied so closely to the harvest period.

Officials of the Bangor & Aroostook, which serves the Maine growing region, hope to level out a freight peak.

"From November through April, we carry most of the potatoes," explains a spokesman for the road. "By June we are leasing some of our locomotives to other railroads. It isn't a matter of storage—we have ample storage facilities for potatoes. But you just can't keep potatoes very long after you get them out of the ground."

## II. Technical Problems

Though some of the tests will run from one to two years, AMF hopes to have most of the data on the economics of the project in hand within six months to a year. AMF is confident enough of such things as wholesomeness and storage qualities of irradiated potatoes to have its engineers already at work on field equipment.

• **Radiation Source**—The company has not decided definitely on what type of radiation source—an isotope such as cobalt-60, used reactor fuel elements, or an electron accelerator—to put in its portable radiation unit. It probably won't decide until other tests, such as those being conducted by North American Aviation, give better clues as to the most efficient sources.

AEC's materials testing reactor at Arco was selected for the current experiments because no other facilities were available at the time. But no one at AMF even considers using reactors for commercial food radiation—costs would be prohibitive.

• **In the Field**—AMF engineers are thinking in terms of mounting a radiation device on a pallet that would fit into either a truck trailer or a railroad freight car. To get the maximum benefit, irradiation should come soon after the potatoes are dug from the ground.

"We don't plan to sell our irradiation equipment," Chamberlain says. "It probably would be too expensive for farmers, who would need it only at harvest time. And the operating crew would have to be trained and probably licensed. So we are thinking of leasing units to growers or groups of growers, with a fee for so many hundreds of pounds of through-put."

• **Limited Goal**—Previous experiments with potatoes indicate that irradiation may increase storage life up to two years. But neither growers nor processors are greatly interested in so long an extension. If storage life runs a year—from harvest to harvest—potato people will be satisfied. The farmer can hold back part of his crop to get better prices. The processor will be assured of year-long supplies. **END**

# Specify STEELCASE

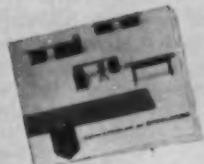
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## PRODUCTION BRIEFS

A solar-powered radio receiver that weighs only 10 oz. and can work eight hours in total darkness without recharging, has been developed by General Electric Co. The pocket-size receiver is recharged by exposing the transparent case of the unit to the rays of the sun. GE says artificial light, such as that produced by a 100-watt bulb, may also be used to recharge it.

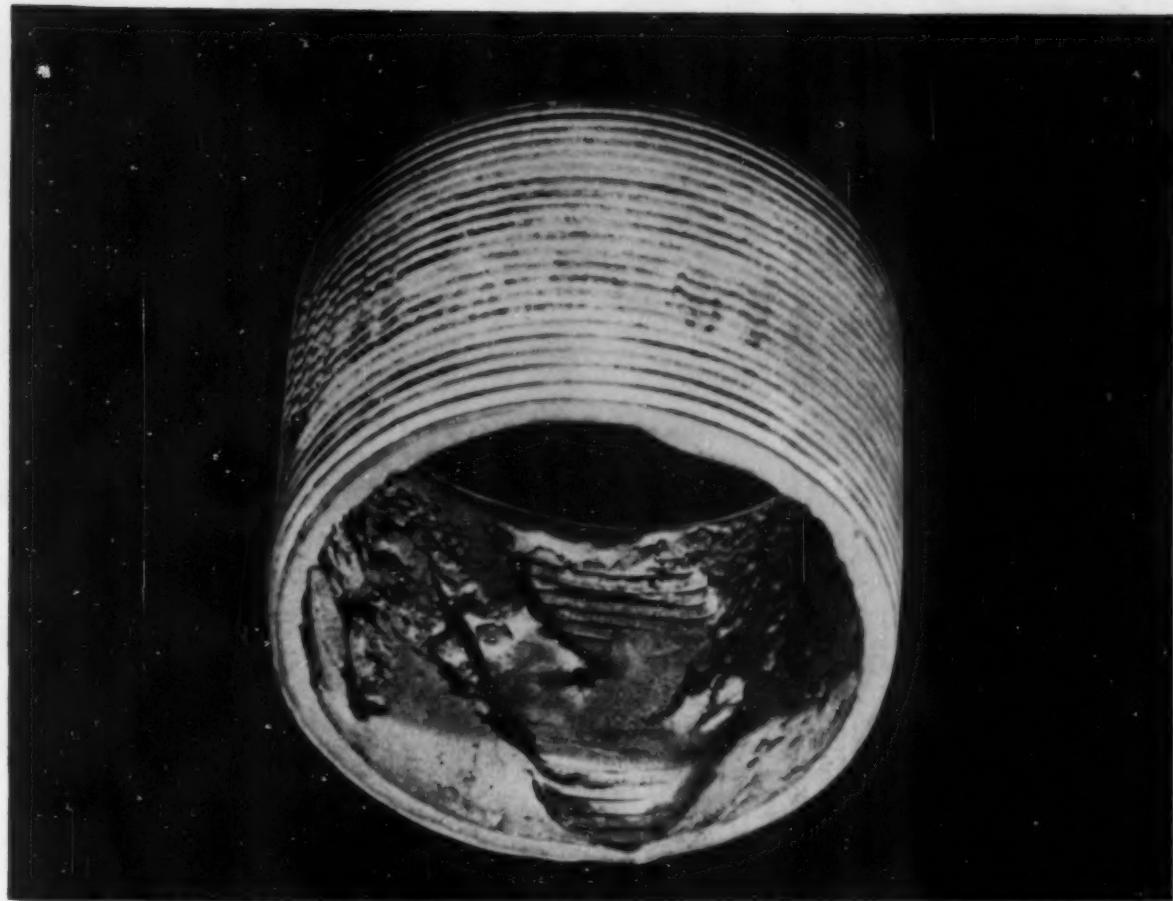
**More about transistors:** High-frequency transistors developed by Philco Corp., for high-speed computers will be manufactured by Sprague Electric Co., North Adams, Mass., under a licensing agreement. The transistors are said to be suitable for computers used in military navigational, missile, and weapons control systems. They may also have commercial applications.

**Bell Telephone Laboratories** announce that they, too, have developed a transistor that can be made by improved methods and operates at higher frequencies. They claim color television offers a new possibility for using transistors instead of vacuum tubes.

**Perfect Circle Corp.**, Hagerstown, Ind., has developed a method of manufacturing automobile engine blocks that is said to be less expensive than present methods. Only the base of the block is cast in the first step, with the cylinders cast separately and then assembled. This process eliminates the costly baked sand coring used in conventional engine block casting to make the cylinders.

**Allied Chemical & Dye Corp.**'s new plant in Syracuse, N. Y., is producing hydrogen peroxide by a new process developed by the Solvay Process Div. Chemical oxidation of hydrogen is used, instead of the conventional electrolytic methods. Hydrogen peroxide is used as an industrial bleach, as a material in the chemical industry, as a pharmaceutical, and as a fuel for submarines and rockets.

**Olin Mathieson Chemical Corp.** has announced that it will build its \$120-million aluminum plant in the Ohio River Valley near Clarington, Ohio. The plant is said to be the first fully integrated aluminum plant; coal mined directly on the site will be used to provide the power for the reduction of alumina to pig aluminum. The power plant, which will cost \$30-million, is to be built above a new major coal mine, which will be owned and operated by the Pittsburgh Consolidation Coal Co.



Return line corrosion resulting from carbonic acid

## ALL pHOULED UP

pH—a symbol denoting the negative logarithm of the concentration of the hydrogen ion in gram atoms per liter. This scale permits the expression of both acidity and alkalinity in units which can be measured by means of a hydrogen electrode.

That's what chemists say about it. Some of the things that power plant engineers say about it are best left unquoted.

A low pH value in condensate

can cause a power plant engineer a lot of trouble. When the pH value of water goes below 6.9, it's becoming acid—and when it's acid, it's highly corrosive. Then it begins to eat away at the internal surfaces of pipes and return lines.

Corrosion caused by low pH is most effectively prevented by the application of Dearborn's FILMEEN. By forming a non-wettable, monomolecular coating on all metal surfaces with which treated steam or condensate

come in contact, FILMEEN provides a protective, corrosion-inhibiting barrier between water and metal. By preventing the carbonic acid from touching the metal surfaces, FILMEEN thus keeps the lines corrosion-free.

When you find rusty condensate coming back to your boilers, it's time to see your Dearborn representative. He'll show you how FILMEEN will reduce excessive maintenance, avoid shutdowns and protect valuable equipment in your power plant.

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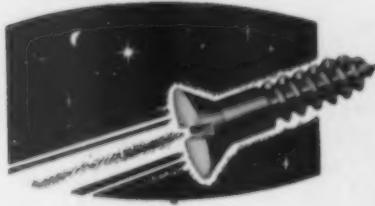
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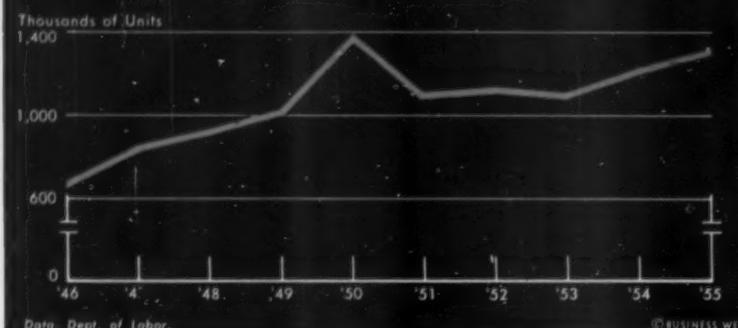
"Inquiries from top executives in many different types of businesses have been followed up by our sales staff with excellent results. It seems that when management takes an interest, things move fast."

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## CHARTS OF THE WEEK

### Housing Starts



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### Final Score for '55

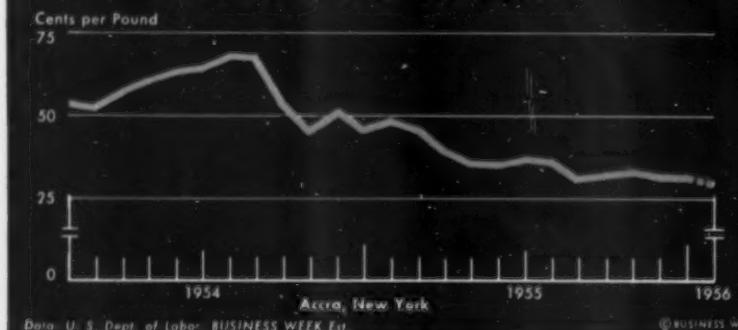
With 1,330,000 housing starts, 1955 is being called the second-best year, exceeded only by 1,396,000 starts in 1950. But analysis of the types of dwelling units started during the year is almost certain to give 1955 another distinction: an all-time record for starts of one-family dwellings.

Final figures will probably show that starts of two-family houses and apartment housing units declined substantially more than the 66,000-unit differ-

ence between 1950 and 1955. If so, the number of single-family units must have exceeded the 1950 figure.

Last year's starts reached a peak in May, tapered off all through the last six months. All sections of the country shared in the gain over 1954, however, with metropolitan areas faring best. The total for the year slightly bettered the highest predictions of the experts. No one had forecast more than 1.3-million starts for all housing units.

### Cocoa Bean Price



© BUSINESS WEEK

### Down to a Three-Year Low

The price of cocoa beans in New York last week skidded to the lowest level since February, 1953. Reason: Stocks are high — more than three times the level of a year ago — and imports are continuing to pour in. This is harvest time for most of the world's cocoa crop, and will continue through March.

In the 1953-54 season, the Gold

Coast crop (Accra cocoa) dropped 15% below normal, and total world production was off 4% from the 1952-53 season. The resulting shortage sent prices up in 1954. As a result, candy manufacturers looked around for substitutes and cut their use of cocoa and chocolate.

Consumption declined, and when a crop better than usual started coming in



## "There stood our Founder - up to his knees in peas"

"If I'd laughed, I'd of been fired on the spot.

"But it was about the funniest thing I'll ever hope to see. There stood our usually dignified Founder, just about smothered in fresh green peas. And more coming.

"I knew in a flash what had happened. The power supply cable for the whole production line had conked out. The hullers are on a separate circuit, and they were still working like mad.

"I guess I did have a sort of I-told-you-so look, but I couldn't help it. Y'see, our Founder really knows the quick-freeze business, and coined that phrase 'cuddled from bloom to shipping room' that sells millions of boxes of frozen peas every year. One thing he *doesn't*

know beans about (excuse me, I mean peas) is power cables, and the last time I requisitioned Okonite cables, which I've been buyin' for twenty years, he wrote, 'Disapproved. Buy Zilch cable.' I found out later that this guy Zilch makes cable of a sort, and he and our Founder were frat brothers at State back in '09.

"Anyway, to make a long story short, when I got our Founder out of those peas he sputtered, 'Take those Zilch cables out! Every inch—and get that Okonite stuff you always bought!'

"Well, I don't guess we'll have any more excitement like that for a long time, cause you can really count on those Okonite cables. But it was fun while it lasted."



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### EMPLOYMENT

#### Positions Vacant

**Sales Manager**—of Division—for manufacturer of nationally distributed mechanical product. Electric motor or gasoline engine product sales experience desirable. Salary and bonus to right man. P-898, Business Week.

**Director of Planning and Promotion, \$15,000 to \$20,000.** For large midwestern company in a highly technical engineering field. Age 35 to 42. Applicants must have engineering background and successful experience selling tangibles or intangibles to top management. Management consulting or high level staff experience desirable. Replies strictly confidential. Our employees know of this advertisement. Send brief but complete data on education, experience and earnings. P-8927, Business Week.

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**Manufacturers representative** now selling to manufacturers of electronic and aircraft industries. Component line. Several territories still available. State full details. PW-8671, Business Week.

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**Adv-Promotion Mgr** available part-time your sales promotion, catalog, publicity and adv. programs sparked to sure success by exec with art & copy staff. Complete handling from plans to print. Write for proven success records or consultation. PW-9052, Business Week.

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**Established representative** now selling nationally known watchman's clocks wants to add equally famous timeclock line and 1 related line presenting volume business. Reply RA-9058, Business Week.

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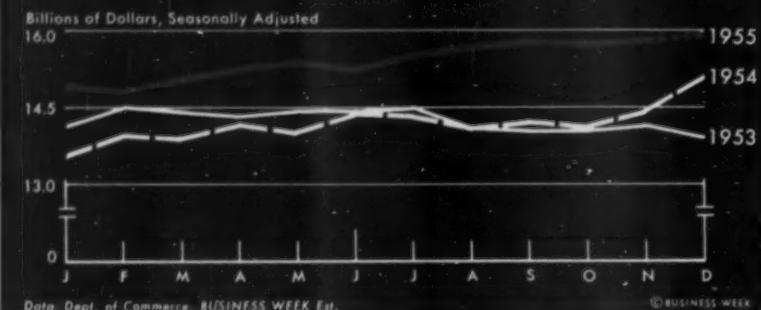
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**Incorporate your business in Canada.** Accumulate, legally, tax-free earnings outside the U.S. Do business anywhere, quicker, cheaper. Write Major Projects, Inc., 11957-54 Street, Edmonton, Alberta, Canada.

from Brazil, prices turned downward, too. The 1954-55 world crop ended up 9% higher than the previous season's,

with Gold Coast harvests up 6%. Now with a new crop coming in, prices are slumping further.

## Retail Sales



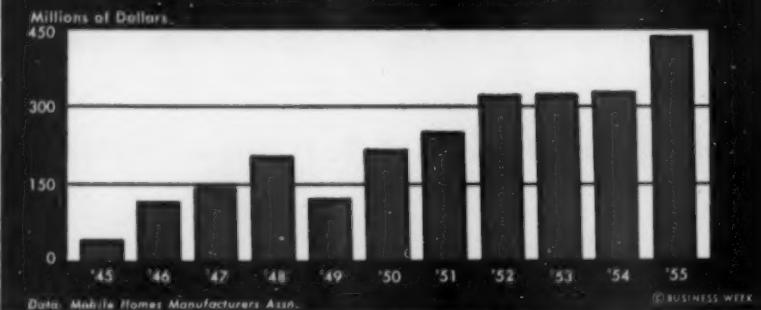
## A Merry Tune for Cash Registers

To no one's surprise, December rang up a record \$19.4-billion in retail sales, according to the Commerce Dept., and topped off a \$186-billion year. The year's total is estimated at about 9% higher than 1954. Chief gains over the year before were led by the automotive group with a 21% rise. All other major

groups ranged between 6% and 10% up, except food (up 5%) and eating and drinking places (up only 4%).

After adjustment for seasonal variation, December sales still stood well above November and well above the previous December, continuing the up-trend that began a year ago.

## House Trailer Sales



## More Americans on Wheels

It's evident that Americans live on wheels in the literal sense as well as the figurative use of the phrase. Last year, they bought 100,000 house trailers, paying an unprecedented \$435-million at retail prices. As lately as 1945, sales ran only \$39-million.

Altogether, about 850,000 house trailers are in use, according to the Mobile Homes Manufacturers Assn., and some 2.5-million people live in them. This amounts to about 1.5% of the population. Of this number, 20% are service-

men and their families, 10% are retired persons. Another 7% includes salesmen, engineers, teachers, businessmen, and ministers (counting units bought for use as libraries, laboratories, and showrooms). The remaining 63% of users are workers whose occupations are mobile or semi-mobile.

The average price paid for a house trailer is around \$4,200, with extremes of \$2,000 and \$7,500. Luxury models come with air-conditioning, television, dishwashers, and garbage disposal.

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## Adding a Dimension to Foreign Policy

Congress soon will be considering two measures that Pres. Eisenhower regards as vitally important to our position in the world: (1) A bill (H.R. 550) to authorize U.S. membership in the Organization for Trade Cooperation; and (2) an Administration proposal to incorporate a long-term aid program within our over-all foreign aid setup.

Both these measures are designed to give continuity to our foreign policy—a dimension that it has too often lacked in the past. Our participation in OTC would be a firm indication of our readiness to go on cooperating with other free nations, in the field of trade. A long-term aid program—say \$1-billion over five or 10 years—would give the economically underdeveloped countries of the Middle East and South Asia assurance that we would follow through on any help we give to development projects that take years to complete.

By adding continuity to our policy in both areas, we would undoubtedly improve our chances in the long struggle against Communism that lies ahead. Probably nothing else would do as much to reassure our allies, and the uncommitted nations, of our steadfast purpose.

Admittedly, it is no simple matter in a democracy like ours to put the stamp of continuity on policies that have to do with trade, on the one hand, and aid, on the other. In the case of OTC, you have the problem of the Congressional treaty-making power. With long-term aid, you run into a fundamental principle that we inherited from the British Parliament—legislative control over the purse strings.

But the art of government is the resolution of difficulties like these. In neither case are we up against a problem of trying to square a circle.

As we see it, the Administration has fully safeguarded American interests, and the privileges of Congress, in arranging for our membership in OTC. This organization would have no say over the U.S. tariff structure. Its function is wholly administrative.

A formula has still to be found by which Congress can make a long term aid commitment—perhaps by making a declaration of intent that would guide but not bind future sessions. Congress went some distance in this direction with the Marshall Plan, much to our national advantage, without sacrificing the "power of the purse." We are sure that this can be done again, with equal success.

## Insurance Against Slumps

The U. S. has had two recessions since World War II—in 1948-49 and in 1953-54. Neither developed the spiral of deflation that leads to economic collapse.

Much credit has been given to the so-called built-in stabilizers in the American economy in checking both recessions. The stabilizers include the flexible parts of

government revenues and expenditures, such as personal and corporate income taxes (which decline when income shrinks) and payments like social security, unemployment compensation, and farm supports (which rise when income falls).

Though everyone has talked a lot in recent years about these automatic stabilizers, we have all been pretty vague about how significant, in money terms, their offsetting effect really is. But now a group of economists, assembled by the National Bureau of Economic Research, has done a careful job of estimating their value. If the economy should ever slide toward a major depression, according to these estimates, the stabilizers would automatically offset as much as 30% to 40% of the drop in gross national product.

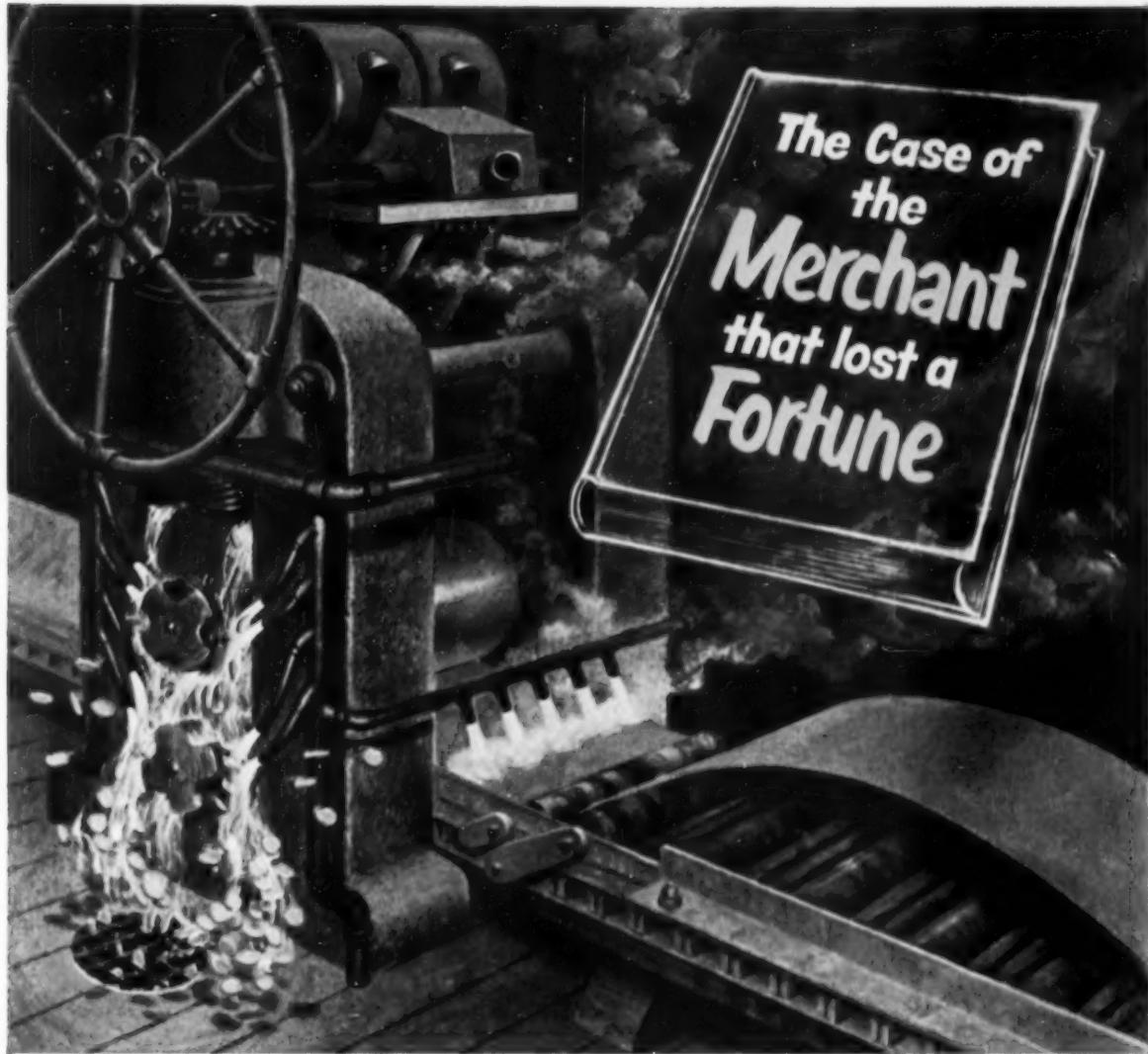
Take, for instance, a recession during which unemployment rose to 8-million. The National Bureau's economists calculate that American individuals and businesses would find their tax obligations reduced by \$15.7-billion, and the total offsetting effect of the built-in stabilizers would amount to \$19.2-billion.

There is still the question of how big the decline might become: how much of a depression the built-in stabilizers might have to offset. As one of the National Bureau's conferees, Gerhard Colm, said: "Half as big as big can still be very big!"

But the stabilizers would come into play early. With the help of the strong forces now supporting the economy—rapidly developing technology, high levels of consumption, and the huge amounts of liquid assets held by both business and individuals—they could do much to keep a major depression from developing. Above all, they would win time. It would be months before the decline reached major proportions. In that time, the Administration and fiscal authorities could reshape monetary policy, and Congress could even overhaul such basic government policies as taxes.

Though this free economy will always have its ups and downs, two big factors will reduce the range within which it fluctuates. One is the very magnitude of government expenditures and receipts, which give the stabilizers so much room for bouncing when the economy hits a bump. In 1929, government expenditures amounted to only about 8% of GNP; in 1938, to about 11%; but today they amount to about 20%. Most of the boost has come in spending for national security.

The second big reason to expect less violent fluctuations in the economy is that we have learned to let the stabilizers work in our favor. Today we would expect, and permit, the automatic stabilizers to offset 30% to 40% of a decline. In contrast, at the start of the Great Depression of the 1930s, the government moved to raise taxes and cut spending. That, Gerhard Colm estimates, aggravated the decline by 10% to 20%. The budgetary "cure" almost killed the patient.



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## How to salt away a bigger profit

IT'S early in 1948. You're an engineer at one of the world's largest underground salt mines. And you're a little uneasy.

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